Annual Report 2017

LION ROCK GROUP LIMITED
獅子山集團有限公司

STOCK CODE : 1127

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This is the first annual report published by our company under the name of Lion Rock Group and I am pleased to advise that the change has been well received by our shareholders, customers and stakeholders. The can-do spirit that the "Rock" embodies is an integral part of the DNA of our company.

In the past year, the biggest factor that "disrupted" the company's performance was the increase in paper costs: text paper, corrugated board and cover materials. On the average, paper costs went up by 20% and market forces were such that most of the increases had to be absorbed by the printers. Price war in the book printing industry in China has intensified though our diversification efforts which started in 2011 have enabled the Group to improve our operating profit.

Growth of the Chinese economy in the near future will have a strong impact on the performance of the Group. Home to two of the top 10 largest market cap companies in the world, China will continue its drive to stimulate domestic consumption. The latter has already driven up the price of wages and raw materials. A case in point: the huge demand of cartons for shipping goods sold in the Nov 11 (Singles Day) sales bonanza in China had caused a temporary shortage of cartons and surge in price. The Renminbi has appreciated in value against the Hong Kong Dollar which our group's results are denominated, by approximately 6% since January, 2017. Experts forecast that the Renminbi will continue to appreciate in 2018. This will exert further downward pressure on our margins.

Looking ahead, the Group will continue to grow, both by 'organic' means and acquisitions and not only in our core business in book and commercial printing. In the last quarter of last year, the Group took advantage of the weakness of the British pound and the drop in price to acquire shares of Quarto Group, Inc ("Quarto"), a London listed illustrated book publisher and one of Lion Rock's top customers. As at 22 February 2018, the Group and Mr. CK Lau, our executive director, hold 19.1% and 7.5% stake of Quarto respectively. This foray into the book publishing world is a considered move by our group to diversify its business beyond book printing. We believe that Lion Rock can add value to our publishing customers not only as a conventional print supplier. Our understanding of and contacts in the book trade in China can help our publishing customers conduct business more effectively in the world's second largest economy.

We welcome our colleagues at Regent Publishing which was acquired by the Group in March, 2017

Again, my thanks to our fellow employees in the Lion Rock Group across the globe for their fine efforts in 2017.

Yeung Ka Sing
Chairman
Hong Kong, 23 February 2018

CHAIRMAN'S STATEMENT

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1010 Printing

1010 Printing registered a drop of 10% in sales revenue and a slight drop in net profit caused mainly by management's decision not to participate in a price war started by two major industry players. Our ability to source paper from mills outside of China where the increase was the highest in the world in 2017 helped mitigate some of the margin erosion. 2017 was not a banner year for the book publishing industry and our customers were reluctant to absorb the price increase. A number of new titles were cancelled as the cost increase caused by the hike in paper price had made their publication financially untenable.

The year also saw several medium and large book printers in China selling off their land where the factories are located, to take advantage of the rising property prices in the country. Already there is a small reduction in the industry capacity, though not to the extent that we prefer to see. The days of pricing power returning to the printers are unlikely to happen in the near future.

APOL

Our print management subsidiary had a difficult first half in 2017 but rebounded strongly in the second half. It ended the year with a 1% gain in annual sales revenue against 2016. Gain in foreign exchange, mainly the Euro and recovery of a bad debt previously provided, together with strict controls exercised by management, have enabled APOL to report a 34% increase in net profit. APOL's sales management is making steady inroads into the book plus markets in Europe.

Regent Publishing

Regent became a 75% owned subsidiary of the Group in March 2017. Under the management of its 25% shareholder and co-founder, Mr. George Tai, Regent serves niche book publishers in North America and has minimal overlap in customers with the rest of the Lion Rock Group companies. Regent had a disappointing first quarter but ended with satisfactory results for 2017.

OPUS

2017 was a year when OPUS management had an ambitious target to improve its operating results from its three core business units.

Canprint, our Canberra based subsidiary suffered a double digit drop in sales revenue, though net profit remained unchanged, helped by stringent cost control measures. The Australian Government agencies continued the momentum of going paperless thus affecting our business.

2017 was an off year for the novel publishing world in Australia in the absence of major blockbuster new titles. McPherson's, our subsidiary for printing novels and the leader in that sector, on the back of a win from a major multinational publisher, had a 2% increase in its sales revenue, though margin suffered due to the costs incurred with the integration of the newly won accounts and the pressure to handle more short run orders at quicker turnaround time.

Ligare had a satisfactory performance, despite being hit hard by the flu in Sydney that affected its production in the 3rd quarter.

Despite all these strong headwind, management is optimistic of the future of OPUS. Richard Celarc returned to the Group as Executive Chairman in December 2017 to assume a more active role in the daily management of the Group. The return of Richard Celarc to an executive chairman role will provide a much needed impetus to the management of OPUS in the near future. The start of 2018 saw Canprint, secured a multiple year contract from a government agency to provide warehousing, fulfillment and electronic order processing service. Management is optimistic of the business prospects in this direction.

COS

Our wholly owned subsidiary in Singapore, COS had a successful year with net profit increased by 43% on a 11% rise in sales revenue. The proximity to the regional distribution center in Singapore of a multinational book publisher was pivotal to COS' securing business from the customer.

PROSPECT

Our print management subsidiaries APOL and Regent are forecasting steady results in 2018, despite the usual challenging trading environment. 1010 Printing has embarked on a HK$60 million investment program on printing presses and binding equipment. This will improve its production efficiency significantly.

Overall, we remain cautiously optimistic of the 2018 prospects. We are considering various options relating to our diversification programs. Lion Rock senior executives' involvement in the management of the OPUS Group in the past three years has given us the confidence to handle cross-border acquisitions. This will stand the Group in good stead as it goes on the diversification path.

CK Lau
Executive Director
Hong Kong, 23 February 2018

FINANCIAL REVIEW

Revenue for the year ended 31 December 2017 was approximately HK$1,582.7 million and represented a decrease of 2% from the previous corresponding year (2016: HK$1,615.8 million). The decrease in revenue was a result of the decrease in sales orders received by 1010 and the disposal of outdoor printing business in OPUS Group Limited ("OPUS") in August 2016. The decrease in turnover was mitigated by the sales contribution from Regent Publishing Services Limited, which was acquired by the Group in March 2017.

Gross profit margin remained stable at 28% as compared with last year. Labour cost, material cost and subcontracting cost increase was offset by the decrease in machinery depreciation charge for the year, due to revisit of machinery estimated useful lives in 2016.

Other income decreased from HK$70.4 million in 2016 to HK$52.3 million in 2017 was mainly due to a one-off gain of HK$27.6 million from the disposal of the outdoor printing business in Australia in 2016 and the decrease in gain on financial assets at fair value through profit or loss of HK$11.2 million. The decrease was partly offset by the increase in exchange gain of HK$13.2 million; increase in sales of scrapped paper and by-products of HK$3.4 million; increase in gain on disposal of property, plant and equipment of HK$2.4 million and the increase in interest income of HK$1.6 million.

Selling and distribution costs remain stable as compared to 2016.

Administrative expenses decreased from approximately HK$109.8 million in 2016 to approximately HK$96.0 million in 2017. The decrease was primarily due to the decrease in corporate expenses in OPUS following the disposal of outdoor printing business in August 2016; and the loss on disposal and written off of property, plant and equipment of HK$9.9 million incurred in 2016.

Other expenses for the year represented provision for impairment on trade receivables. A decrease of approximately HK$4.2 million was due to improved customer settlement performance during the year.

Income tax expenses for the year decreased to approximately HK$39.1 million in line with the decrease in profit.

Profit for the year attributable to owners of the Company amounted to approximately HK$147.7 million (2016: HK$146.1 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had net current assets of approximately HK$680.1 million (31 December 2016: HK$633.1 million) of which the cash and bank balances were approximately HK$424.2 million (31 December 2016: HK$461.2 million). The Group's current ratio was approximately 2.9 (31 December 2016: 2.8).

Total bank borrowings and finance lease liabilities for the Group amounted to HK$70.9 million (31 December 2016: HK$95.4 million). As at 31 December 2017, bank borrowings were denominated in Hong Kong dollars and finance lease liabilities were denominated in Australian dollars. All bank borrowings are at floating rates and finance leases are in fixed rates with all borrowings repayable within five years. The Group's gearing ratio as at 31 December 2017 was 6.8% (31 December 2016: 10.1%), which is calculated on the basis of the Group's total interest-bearing debts over the total equity.

The Group adopts centralized financing and treasury policies in order to ensure the Group funding is utilized efficiently. The Group also regularly monitors its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

FOREIGN CURRENCY MANAGEMENT

The Group's sales were denominated in a mixture of currencies, primarily US dollars, Australian dollars, Euros and Pound Sterling. In addition, the Group's costs and expenses are mainly denominated in US dollars, Australian dollars, Hong Kong dollars and Renminbi. From time to time the Group enters into foreign currency exchange contracts to hedge its currency risk.

CAPITAL EXPENDITURE

During the year, the Group had acquired property, plant and equipment at approximately HK$19.6 million. The purchase is mainly financed by internal resources. The net book amount of property, plant and equipment includes net carrying amount of approximately HK$1.5 million (31 December 2016: HK$0.7 million) in respect of assets held under finance leases.

CONTINGENT LIABILITIES

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

EXECUTIVE DIRECTORS

MR. LAU CHUK KIN

Mr. Lau Chuk Kin, aged 65, was appointed as an executive Director in 2011. Mr. Lau has been responsible for the overall strategic formulation of the Group since the Group commenced its printing business in 2005. Mr. Lau is an executive director of OPUS Group Limited, a subsidiary of the Company whose shares are listed on the Australian Securities Exchange. He is also a director of ER2 Holdings Limited and City Apex Limited, substantial shareholders of the Company. He is a shareholder of ER2 Holdings Limited. He was formerly an executive director of Cinderella Media Group Limited (currently known as KK Culture Holdings Limited) whose shares are listed on The Stock Exchange of Hong Kong Limited. Mr. Lau obtained a Bachelor of Arts degree from the University of Minnesota (Twin Cities) and a Master of Business Administration degree from the Chinese University of Hong Kong. Mr. Lau is the compliance officer of the Group.

MR. LAM WING YIP

Mr. Lam Wing Yip, aged 44, was appointed as an executive Director in 2012. Mr. Lam is the chief technology officer of the Group and joined the Group in 2011. He is responsible for the design and implementation of information technology strategies that align with the Group's business goals. He has over 20 years of experience in information technology field. Prior to joining the Group, he worked in several multinational corporations. Mr. Lam obtained a Bachelor of Science degree from the Chinese University of Hong Kong.

MS. LAM MEI LAN

Ms. Lam Mei Lan, aged 51, was appointed as the executive Director in 2015. She is the chief financial officer of the Group and has been responsible for the financial management of the Group. Ms. Lam holds a Master of Business Administration degree from the Chinese University of Hong Kong and a Doctor of Business Administration degree from The Hong Kong Polytechnic University. She is a fellow member of the Hong Kong Institute of Certified Public Accountants. Ms. Lam has over 25 years of experience in finance and has held senior financial positions in various main board listed companies and a non-profit charitable organization in Hong Kong. Ms. Lam is an executive director of OPUS Group Limited, a subsidiary of the Company whose shares are listed on the Australian Securities Exchange. Ms. Lam was an executive director of Cinderella Media Group Limited (currently known as KK Culture Holdings Limited) whose shares are listed on The Stock Exchange of Hong Kong Limited.

MR. CHU CHUN WAN

Mr. Chu Chun Wan, aged 67, has been appointed as an executive Director in 2015. Mr. Chu has been the managing director of Asia Pacific Offset Limited ("APOL") since 1999. He has over 40 years of experience in the printing industry in Hong Kong and held senior positions, including as deputy managing director of Mandarin Offset Limited and executive vice president of Hua Yang Printing Group. Mr. Chu is responsible for making overall strategic decisions in APOL which is a subsidiary acquired by the Group in 2012. Mr. Chu is father of Ms. Stephanie Chu, general manager of APOL.

NON-EXECUTIVE DIRECTOR

MR. LI HOI, DAVID

Mr. Li Hoi, David, aged 60, was appointed as the executive Director in 2013 and re-designated to non-executive Director on 1 September 2017. Mr. Li is an advisor to the Group. Before Mr. Li's re-designation to non-executive role, he was the Managing Director of Oceanic Graphic International Inc. ("OGI"), a subsidiary of the Group and was responsible for the overall management of OGI. Mr. Li is the founder of a print management company in the United States. Mr. Li has over 30 years of experience in publishing and printing industries and has held different positions in several publishing and printing companies in the United Kingdom, United States and Hong Kong. Mr. Li received a diploma from London College of Printing (currently known as London College of Communication) and a diploma from the British Printing Industries Federation.

MR. GUO JUNSHENG

Mr. Guo Junsheng, aged 28, holds a Bachelor of marketing degree from the Guangzhou University. Mr. Guo is founding and controlling shareholder of an art and cultural development company and a trading company in China. He also has extensive experience in a non-profit charitable organization in Guangdong. Mr. Guo is a director and shareholder of Dragon Might Global Limited, a substantial shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. YEUNG KA SING

Mr. Yeung Ka Sing, *GBS MBE JP* aged 76, joined the Group and was appointed an independent non-executive Director and Chairman of the Company in 2011. Mr. Yeung has been active in public and community services for over 30 years. Notably, he was chairman of the Hong Kong Housing Society, Standing Commission on Civil Service Salaries and Condition of Service, Community Investment and Inclusion Fund Committee. He was also member of the Transport Advisory Committee, member of the City University Council, member of the Employers' Federation, Council member of the Hong Kong Management Association. He was awarded the Gold Bauhinia Star by the Hong Kong Special Administrative Region in 2012.

Prior to his retirement in 2006, he was the Head of Corporate Human Resources of the Hong Kong and China Gas Company Limited.

PROF. LEE HAU LEUNG

Prof. Lee Hau Leung, aged 65, joined the Group and was appointed as an independent non-executive Director of the Company in 2011. He is the Thoma Professor of Operations, Information and Technology at the Graduate School of Business at Stanford University. Prof. Lee was elected to the National Academy of Engineering in 2010, and is a Fellow of the Manufacturing and Service Operations Management Society in 2001, a Fellow of the Institute for Operations Research and the Management Sciences in 2005, and a Fellow of the Production and Operations Management Society in 2005. Prof. Lee obtained his Bachelor of Social Science degree from the University of Hong Kong, his Master of Science degree in Operational Research from the London School of Economics and Political Science, University of London, and his Master of Science and Doctorate degree from the University of Pennsylvania. Prof. Lee is an independent external director of Synnex Corporation, a public company on NYSE in the U.S., Global Brands Group and Frontier Services Group, both of which public companies on The Stock Exchange of Hong Kong Limited in H.K., and Esquel Group.

MR. TSUI KING CHUNG, DAVID

Mr. Tsui King Chung, David, aged 71, joined the Group and was appointed as an independent non-executive Director in 2011. Mr. Tsui started his career in information technology in 1970 and has held a number of key positions in various banks in Hong Kong. He was the president and chief executive officer of Hong Leong Credit Berhad (now known as Hong Leong Financial Group Berhad), a listed company in Malaysia before his retirement in 2006.

DR. NG LAI MAN, CARMEN

Dr. Ng Lai Man, Carmen, aged 53, was appointed as an independent non-executive Director in 2011. Dr. Ng has about 29 years of experience in professional accounting and corporate finance in Hong Kong, the PRC, the United States and Europe. Dr. Ng is a practising certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and Institute of Chartered Accountants in England and Wales. She is the director of Cosmos CPA Limited and Managing Partner of Hong Kong Asset Management Limited.

Dr. Ng received her Doctor of Business Administration degree from the Hong Kong Polytechnic University, Juris Doctor degree from the Chinese University of Hong Kong, Master of Laws degree in Corporate and Financial Law from the University of Hong Kong, Master of Business Administration degree from the Chinese University of Hong Kong, Master of Professional Accounting degree from the Hong Kong Polytechnic University and Master of Science in Global Finance jointly offered by Leonard N. Stern School of Business of New York University and School of Business and Management from the Hong Kong University of Science of Technology.

Dr. Ng is currently the non-executive director of Precision Tsugami (China) Corporation Limited and an independent non-executive director of eSun Holdings Limited and Global International Credit Group Limited all being companies listed on The Stock Exchange of Hong Kong Limited.

SENIOR ADVISOR TO THE BOARD

MR. YANG SZE CHEN, PETER

Mr. Yang Sze Chen, Peter, aged 79, is the senior advisor to the Board after his retirement as executive Director of the Company in 2015. Mr. Yang joined the Group in 2009 and was responsible for the overall management of the Group till his retirement. He graduated from the London School of Printing and Graphic Arts (currently known as London College of Communication) in 1958 and has over 50 years of experience in the printing industry. He is the founder of a premier book printing company in Hong Kong.

SENIOR MANAGEMENT

MR. GEORGE TAI

Mr. George Tai, aged 68, is the managing director and minority shareholder of Regent Publishing Services Limited ("Regent"). He founded Regent, a subsidiary acquired by the Group in March 2017, in 1985 and has been responsible for the overall management of Regent since its incorporation. Mr. Tai has been in the printing industry since 1973 and started his career in printing with Dai Nippon Printing Company and Hong Kong Scanner Craft Limited.

MR. RICHARD F. CELARC

Mr. Richard F. Celarc, aged 61, is the chairman and executive director of OPUS Group Limited, a subsidiary of the Company whose shares are listed on the Australian Securities Exchange. Mr. Celarc was one of the foundation shareholders of the OPUS Group. Mr Celarc acquired full ownership of Ligare Australia, a subsidiary of OPUS, in 1996 and grew the business into the largest specialist book printer in New South Wales. He currently leads OPUS in its strategic direction and in the design and implementation of key initiatives processes.

MS. STEPHANIE CHU

Ms. Stephanie Chu, aged 36, has been appointed as the General Manager of APOL since 1 December 2015. Ms. Chu has been with APOL for 10 years, including 4 years at senior management level. She graduated from The University of Kent in 2004 with a Bachelor of Science degree in Forensic Studies. Ms Chu oversees the overall operations and management of APOL. Ms. Chu is daughter of Mr. Chu Chu Wan, an executive director of the Company.

MS. TAN LAI MING

Ms. Tan Lai Ming, aged 40, is the company secretary and financial controller of the Group. Ms. Tan obtained a bachelor's degree in accountancy from the City University of Hong Kong and has been a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. She joined the Group in 2011 and is responsible for the company secretarial and accounting functions of the Group. She worked at Deloitte Touche Tohmatsu for over 7 years before joining the Group.

MR. SU LEIGANG

Mr. Su Leigang, aged 41, is the vice president of supply chain of the Group and joined the Group in 2007. He obtained a Master's degree in information system from the University of Southampton, United Kingdom and a bachelor's degree in industrial automation (computer control) from China Textile University (currently known as Donghua University), Shanghai, the PRC. Mr. Su has over 10 years of experience in the information technology field. Prior to joining the Group, he worked as IT manager for 5 years at a company listed on the Shanghai Stock Exchange.

MR. TONG WING WAI, GILBERT

Mr. Tong Wing Wai, Gilbert, aged 43, is the deputy general manager of the production plant at Yuanzhou and joined the Group in 2011. Mr. Tong is responsible for the production and administration of 1010 Printing's China Plant. He has over 10 years of experience in the printing industry. He obtained a Master of Business Administration from the University of Adelaide and a bachelor degree in Mechanical and Automation Engineering from the Chinese University of Hong Kong.

MS. TANG TSZ YING

Ms. Tang Tsz Ying, aged 33, is the executive director and company secretary of OPUS. Ms. Tang obtained a Bachelor's degree in Business Administration in Accountancy from the Hong Kong Polytechnic University. She is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants Australia. She jointed OPUS in 2016 and worked at both Ernst and Young, Hong Kong and Sydney for 8 years before joining OPUS. Ms. Tang oversees the finance function of OPUS.

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries are set out in note 38 to the financial statements.

BUSINESS REVIEW

A review of the Group's business during the year and analysis of the Group's performance using financial key performance indicators and prospects of the Group's business is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 2 to 7 respectively of this Annual Report.

PRINCIPAL RISK AND UNCERTAINTIES

Macro-economic and political conditions

The Group's principal business is engaged in the provision of printing services to international book publishers, trade, professional and educational publishing conglomerates and print media companies. The principal printing facilities are located in Mainland China, Australia and Singapore. The Group's long term profitability and business growth are affected by the volatility and uncertainty of macro-economic conditions, and uncertain economic outlook and political conditions of Hong Kong, Mainland China, Australia, US, Eurozone and South American countries. During the period of economic uncertainty, consumer consumption might be scaled back.

Digitalisation of information

With increased digitalisation of information, both the supply of and demand for electronic information will impact the demand for printed material and media. As consumer preferences and trends shift towards electronic media and platforms and the popularity and sales of products such as e-book readers and electronic tablet devices increase, the Group's customers may decide to transfer or increase distribution of their content on digital mediums and reduce the usage of print media, which may affect the business and financial performance of the Group.

Technological developments in the printing industry

Revolutionary changes in technology, mainly in the pre-press and press areas will happen in the coming years, ushered in by the launch of a series of digital printing presses using nanotechnology developed ink. Digital printing technology will be a future trend of printing for providing a shorter run and rapid stock replenishment capabilities, which will reduce warehouse inventory and free up capital.

Financial risks

Details of financial risks are set out in note 40 to the consolidated financial statements.

RELATIONSHIP WITH STAKEHOLDERS

The Group is committed to operate in a sustainable manner while balancing the interests of its various stakeholders including customers, suppliers and employees. This includes providing quality services to customers, developing effective and mutual beneficial working relationships with its suppliers, and offering competitive remuneration package with safety working environments to employees.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to environmental-friendly development as a part of social responsibility. The Group achieves this through rational resources utilisation and compliance with applicable environmental laws and practices of environmental protection, seeking to contribute to the improvement of ecological environment and sustainable development. The Group continues to improve the environmental performance as an integral and fundamental part of the business strategy and operating methods.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

The Group has operations in different overseas countries carried by the Company's subsidiaries. The Group accordingly shall comply with relevant laws and regulations in these countries and the respective places of incorporation of the Company and its subsidiaries.

During the year and up to the date of this report, the Board was unaware of any non-compliance with relevant laws and regulations that have a significant impact on the business and operations of the Group.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 32.

The Directors have declared an interim dividend of HK$0.03 (2016: HK$0.025) per share, totaling HK$23,100,000 which was paid on 25 September 2017.

The Directors recommended a final dividend of HK$0.065 (2016: HK$0.045) per share (the "Final Dividend") for the year ended 31 December 2017 payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 7 May 2018. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, the Final Dividend will be payable on 16 May 2018.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on pages 34 to 35 and note 30 to the financial statements respectively.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 99 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 28 to the financial statements.

DIRECTORS

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

Executive Directors

Mr. Lau Chuk Kin
Mr. Lam Wing Yip
Ms. Lam Mei Lan
Mr. Chu Chun Wan

Non-executive Directors

Mr. Li Hoi, David (re-designated from executive director on 1 September 2017)
Mr. Guo Junsheng

Independent Non-executive Directors

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

In accordance with No. 83(2) and No. 84 of the Company's bye-laws, Mr. Lam Wing Yip, Ms. Lam Mei Lan, Mr. Yeung Ka Sing and Dr. Ng Lai Man, Carmen will retire at the forthcoming annual general meeting. Mr. Lam Wing Yip has informed the Board that he would not offer himself for re-election and accordingly will retire as director upon the conclusion of the forthcoming annual general meeting. Ms Lam Mei Lan, Mr. Yeung Ka Sing and Dr. Ng Lai Man, Carmen, being eligible, offer themselves for re-election as directors at the forthcoming annual general meeting.

DIRECTORS' SERVICES CONTRACT

Mr. Guo Junsheng, the non-executive director, has entered into a service contract with the Company for a term commencing from 9 May 2016 to 31 December 2018. Mr. Li Hoi David, the non-executive director, has entered into a service contract with the company for a term commencing from 1 September 2017 to 31 December 2018. Each of the independent non-executive directors has entered into a service contract with the Company for a term of two years ending on 31 December 2018. The service contract is subject to termination by either party giving not less than three months' prior written notice to the other.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any associated corporations, within the meaning of Part XV the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the 'Model Code") were as follows:

Long Position in the shares of the Company

Name of Directors	Personal Interests (Shares)	Family Interests (Shares)	Corporate Interests (Shares)	Total Interests (Shares)	Percentage to the issued share capital of the Company (%)
Mr. Lau Chuk Kin (Note 1)	50,371,906	Nil	266,432,717	316,804,623	41.14
Ms. Lam Mei Lan	16,568,688	Nil	Nil	16,568,688	2.15
Mr. Lam Wing Yip	1,060,048	Nil	Nil	1,060,048	0.14
Mr. Guo Junsheng (Note 2)	Nil	Nil	30,299,804	30,299,804	3.94

Notes:

1. Of 266,432,717 shares, 258,135,326 shares and 8,297,391 shares are beneficially owned by City Apex Limited and ER2 Holdings Limited ("ER2 Holdings") respectively. As at 31 December 2017, ER2 Holdings was the ultimate holding company of City Apex Limited. Mr. Lau Chuk Kin owned 67% of the issued share capital of ER2 Holdings and accordingly, Mr. Lau is deemed to be interested in the said shares pursuant to Part XV of the Securities and Futures Ordinance.

2. The shares are beneficially owned by Dragon Might Global Limited ("Dragon Might"). As at 31 December 2017, Dragon Might is 100% directly owned by Mr. Guo Junsheng and therefore Mr. Guo is deemed to be interested in the said shares.

Save as disclosed above, as at 31 December 2017, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed to have any interests of short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME AND SHARE AWARD SCHEME

Details of the share option scheme and share award scheme of the Company are set out in note 29 to the financial statements.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executive or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, the following persons, other than a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company, being 5% or more in the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

	Nature of interest			
Name of shareholder	Beneficial Owner (Shares)	Interest in controlled corporation (Shares)	Total Interests (Shares)	Percentage to the issued share capital of the Company (%)
ER2 Holdings Limited (Note 1)	8,297,391	258,135,326	266,432,717	34.60
City Apex Limited (Note 1)	258,135,326	Nil	258,135,326	33.52
Mr. Webb David Michael (Note 2)	19,975,168	41,665,808	61,640,976	8.00
Mr. Chang Mun Kee (Note 3)	Nil	54,112,030	54,112,030	7.03
JcbNext Berhad (Note 3)	54,112,030	Nil	54,112,030	7.03
Preferable Situation Assets Limited (Note 2)	41,665,808	Nil	41,665,808	5.41

Notes:

1: Of 266,432,717 shares, 258,135,326 shares and 8,297,391 shares are beneficially owned by City Apex Limited and ER2 Holdings respectively. ER2 Holdings was the ultimate holding company of City Apex Limited. Mr. Lau Chuk Kin owned 67% of the issued share capital of ER2 Holdings and accordingly, Mr. Lau is deemed to be interested in the said shares pursuant to Part XV of the Securities and Futures Ordinance.

2: Of 61,640,976 shares, 41,665,808 shares are beneficially owned by Preferable Situation Assets Limited. According to the record kept by the Company, as at 31 December 2017, Preferable Situation Assets Limited is 100% directly owned by Mr. Webb David Michael and therefore Mr. Webb is deemed to be interested in the said shares held by Preferable Situation Assets Limited.

3. According to the record kept by the Company, Mr. Chang Mun Kee is interested in 45.49% of the shares in JcbNext Berhad. Therefore, Mr. Chang is deemed to be interested in the said shares held by Jcbnext Berhad.

Save as disclosed above, as at 31 December 2017, the Company had not been notified of any other person (other than a Director or chief executive of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company and was required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

MAJOR SUPPLIERS AND CUSTOMERS

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 40% and 15% of the Group's total purchases for the year ended 31 December 2017 respectively.

The top five customers in aggregate and the single largest customer of the Group accounted for approximately 25% and 8% of the Group's total sales for the year ended 31 December 2017 respectively.

At 31 December 2017, Mr. Lau Chuk Kin, a director and a substantial shareholder of the Company, beneficially owned 6.8% equity interest in one of the five largest customers of the Group. All transactions between the Group and the customer concerned were carried out on normal commercial terms. Save as disclosed above, at no time during the year did a director, an associate of a Director, within the meaning of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), or a shareholder of the Company which to the knowledge of the Directors owns more than 5% of the Company's share capital have any interest in the Group's five largest suppliers and five largest customers.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

None of the directors of the Company or any of their respective associates (as defined in the Listing Rules) has any business or interest that competes or may compete with the business of the Group.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Save as disclosed in note 37 to the Financial Statements, the Group has not entered into any other connected transaction or continuing connected transaction for the year which should be disclosed pursuant to the requirements of Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirm that the Company has maintained throughout the year ended 31 December 2017, the amount of public float as required under the Listing Rules.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 20 to 27 of the annual report.

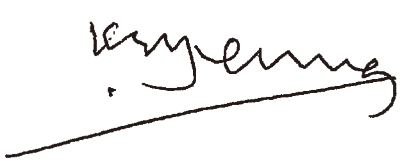
EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2017, the Group had around 1,222 full-time employees (2016: 1,287). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employees benefits include provident fund, insurance and medical cover.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board



Yeung Ka Sing
Chairman
Hong Kong, 23 February 2018

The Group has adopted practices which meet the Corporate Governance Code and Corporate Governance Report during the year (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the" Stock Exchange"). The report describes its corporate governance practices, explains the applications of the principles of the Code and deviations, if any.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the Model Code regarding securities transactions by the Directors throughout the year ended 31 December 2017.

BOARD OF DIRECTORS

The Board comprises ten Directors, of whom four are executive Directors, two are non-executive Directors and four are independent non-executive Directors as at 31 December 2017. During the year, one Director was re-designated from executive to non-executive role. The Board has in its composition a balance of skills and experience necessary for decision making and fulfilling its business needs. The participation of non-executive Directors in the Board brings independent judgement on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

Mr. Guo Junsheng, the non-executive director, has entered into a service contract with the Company for a term commencing from 9 May 2016 to 31 December 2018. Mr. Li Hoi, David, the non-executive director, has entered into a service contract with the company for a term commencing from 1 September 2017 to 31 December 2018 and each of the independent non-executive directors has entered into a service contract with the Company for a term of two years ending on 31 December 2018. All are subject to termination by either party giving not less than three months' prior written notice to the other.

The Board considers that all of the independent non-executive Directors are independent and has received from each of them the annual confirmation of independence required by the Listing Rules.

The Board members for the year ended 31 December 2017 were:

Chairman
Mr. Yeung Ka Sing

Executive Directors
Mr. Lau Chuk Kin
Mr. Lam Wing Yip
Ms. Lam Mei Lan
Mr. Chu Chun Wan

Non-executive Directors
Mr. Li Hoi, David (re-designated from executive director on 1 September 2017)
Mr. Guo Junsheng

Independent non-executive Directors
Mr. Yeung Ka Sing
Prof. Lee Hau Leung
Mr. Tsui King Chung, David
Dr. Ng Lai Man, Carmen

The Board is responsible for the approval and monitoring of the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management. It is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs.

The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to executive Directors and senior management, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through executive Directors who have attended Board meetings.

The Company had arranged for appropriate liability insurance for the directors and officers of the Group for indemnifying their liabilities arising from corporate activities.

All Directors have been provided, on a monthly basis, with the Group's management information updates to keep them aware of the Group's affairs and facilitates them to discharge their duties under the relevant requirements of the Listing Rules.

The Board held 4 Board meetings and one annual general meeting ("AGM") in 2017. Details of the attendance of the Board are as follows:

	Attended/Held	
Directors	Board meeting	AGM
Mr. Lau Chuk Kin	4/4	1/1
Mr. Lam Wing Yip	4/4	1/1
Ms. Lam Mei Lan	4/4	1/1
Mr. Chu Chun Wan	4/4	0/1
Mr. Li Hoi, David	4/4	0/1
Mr. Guo Junsheng	4/4	0/1
Mr. Yeung Ka Sing	4/4	1/1
Prof. Lee Hau Leung	4/4	0/1
Mr. Tsui King Chung, David	4/4	1/1
Dr. Ng Lai Man, Carmen	4/4	0/1

ACCOUNTABILITY AND AUDIT

The Directors acknowledge responsibility for overseeing the preparation of the financial statements for the year ended 31 December 2017.

The Directors' responsibilities in the preparation of the financial statements and the auditors' responsibility are set out in the Independent Auditor's Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The systems and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Group has established an on-going process for identifying, evaluating and managing the significant risks of the Group. Business units are responsible for identifying, assessing and monitoring risks associated with their respective units. The results of evaluation will be reported to management through regular internal meetings. Each year, management prepares the risk assessment report listing the risks identified and management's assessment on the impact to the Group. The Board discusses findings in the risk assessment report and evaluates the effectiveness of the risk management and internal control system in Board meeting.

The Group handles and disseminates inside information with due care. Staff is required to comply with the confidentiality terms inside the staff manual. Only personnel at appropriate level can get reach of price sensitive information.

Appropriate policies and controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements.

The Group does not have an internal audit function due to the size of the Group and for cost effectiveness consideration. Instead, a review on the internal control system is done annually by independent qualified accountant. During the year, the independent qualified accountant conducted an annual review to assess the effectiveness of the Group's risk management and internal control systems. The review covered major financial, operational controls in rotation basis and also the risk management functions. No significant deficiency was identified during course of review and the systems were operating effectively and adequately. The internal control report findings and recommendations were discussed with the Audit Committee and Audit Committee reports the findings to the Board. The Group continues to review the need for an internal audit function annually.

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Mr. Yeung Ka Sing is the chairman of the Company. The Chairman's responsibility is to oversee the functioning of the Board and the strategies and policies of the Group.

The Company has no specific title named as chief executive officer and the daily operation and management of the Company is monitored by the executive directors.

PROFESSIONAL DEVELOPMENT

Every newly appointed Director will be given an induction training so as to ensure that he/she has appropriate understanding of the Group's business and of his/her duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements.

The Company also provides regular updates on the business development of the Group. The Directors are regularly briefed on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, the Company has been encouraging the Directors to enroll in professional development courses and seminars relating to the Listing Rules, companies ordinance and corporate governance practices organized by professional bodies or chambers in Hong Kong. All directors are requested to provide the Company with their respective training records pursuant to the Code.

All Directors have participated in appropriate continuous professional development and refresh their knowledge and skills during the year for ensuring their contribution to the Board remains informed and relevant. Such professional development was completed either by way of attending briefings, conference, courses, forum and seminars, teaching, self-reading and participated in business-related researches which are relevant to the business or directors' duties.

CORPORATE GOVERNANCE FUNCTIONS

The Board delegated the Corporate Governance Functions to the compliance officer, Mr. Lau Chuk Kin. The compliance officer is responsible for the corporate governance duties as follows:

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

(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 on 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; and

(e) To review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

COMPANY SECRETARY

The company secretary of the Company is Ms. Tan Lai Ming, a fellow member of The Hong Kong Institute of Certified Public Accountants. Ms. Tan is also the financial controller of the Company. As an employee of the Company, the company secretary assists the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. She has taken not less than 15 hours of relevant professional training in 2017.

REMUNERATION COMMITTEE

The Remuneration Committee was established in June 2011. It comprises one executive Director namely Mr. Lau Chuk Kin and three independent non-executive Directors, namely Mr. Yeung Ka Sing, Mr. Tsui King Chung, David and Dr. Ng Lai Man, Carmen. The chairman of the Remuneration Committee is Mr. Yeung Ka Sing.

The terms of reference of the Remuneration Committee are posted on the Company's website. The principal functions include:

– to recommend to the Board on the Company's policies and structure for the remuneration of the Directors and senior management of the Group;

– to determine the remuneration packages of all executive Directors and senior management of the Group; and

– to review and approve the management's remuneration proposal with reference to corporate goals and objectives resolved by the Board from time to time.

The principal elements of executive remuneration package include basic salary and discretionary bonus. The emoluments of executive Directors are based on skill, knowledge and involvement in the Company's affairs of each Director and are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

The Remuneration Committee consults the executive Directors about its proposals relating to the remuneration of other executive Directors. During the year, a meeting with 100% attendance of the members of the Remuneration committee was duly held for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive Directors and the senior executives and other related matters.

Pursuant to paragraph B.1.5 of the Code, the remuneration of the senior advisor and the members of the senior management paid by the Group by band for the year ended 31 December 2017 is set out below:

Remuneration band	Number of individuals
Nil to HK$1,000,000	3
HK$1,000,001 – HK$1,500,000	4
HK$1,500,001 – HK$2,000,000	1

NOMINATION COMMITTEE

The Nomination Committee of the Company was established in February 2012 comprising the Executive Director namely Mr. Lau Chuk Kin, the Independent Non-executive Directors namely Mr. Yeung Ka Sing, Mr. Tsui King Chung, David and Dr. Ng Lai Man, Carmen. The Chairman of the Nomination Committee is Mr. Yeung Ka Sing. The terms of reference of the Nomination committee are posted on the Company's website.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Directors, selecting or making recommendations to the Board on nominations, appointment or re-appointment of Directors and Board succession, and assessing the independence of the independent non-executive directors.

The Nomination Committee held one meeting in 2017. Details of the attendance record of the committee meetings are as follows:

Committee members	Attended/Held
Mr. Lau Chuk Kin	1/1
Mr. Yeung Ka Sing	1/1
Dr. Ng Lai Man, Carmen	1/1
Mr. Tsui King Chung, David	1/1

The meeting was held for reviewing the structure, size and composition, and assessing the independence of the independent non-executive directors of the board of directors.

AUDIT COMMITTEE

The Audit Committee was established in June 2011. It comprises three independent non-executive Directors, namely Mr. Yeung Ka Sing, Mr. Tsui King Chung, David and Dr. Ng Lai Man, Carmen. The chairman of the Audit Committee is Dr. Ng Lai Man, Carmen.

The terms of reference of the Audit Committee, which are in compliance with the Listing Rules, are posted on the Company's website. Under the terms of reference, the Audit Committee is responsible for overseeing the relationship between the Company and its external auditors, reviewing the Group's financial information and overseeing the Group's financial reporting, internal control and risk management systems.

The Audit Committee held three meetings in 2017. Details of the attendance record of the committee meetings are as follows:

Committee members	Attended/Held
Dr. Ng Lai Man, Carmen	3/3
Mr. Yeung Ka Sing	3/3
Mr. Tsui King Chung, David	3/3

During the year, the Audit Committee met with senior management to review the Group's draft annual report and accounts, half-yearly report, internal control report and circulars, and provided advice and comments thereon to the Company's Board of Directors. The Audit Committee members also met with external auditor to discuss matters arising from the audit and the nature and scope of the audit and reporting obligations before the audit commenced.

The Group's 2017 interim report and 2016 annual report have been reviewed by the Audit Committee, which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. For the 2016 annual report, the Audit Committee met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending it to the Board for approval. The Audit Committee also monitored the Company's progress in implementing the code provisions on corporate governance practices as required under the Listing Rules.

AUDITOR'S REMUNERATION

The fees in relation to services provided by the Company's auditor and its related network firms for the year ended 31 December 2017 were as follows:

	HK$'000
Audit and review of financial reports	
BDO Limited, Hong Kong	1,000
Other BDO network firms	938
	1,938
Other non-audit services	
BDO Limited, Hong Kong	–
Other BDO network firms	231
	231

COMMUNICATION WITH SHAREHOLDERS

The Company has adopted a Shareholders' Communication Policy in February 2012 reflecting mostly the current practices of the Company for communication with its shareholders. Information will be communicated to shareholders through:

– continuous disclosure to the Stock Exchange of all material information;

– periodic disclosure through the annual and interim reports;

– notices of meetings and explanatory material;

– the annual general meetings and other general meetings; and

– the Company's website at www.lionrockgrouphk.com.

The Board endeavours to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation. The Chairman of the Board attended the AGM held in 2017 to answer questions and collect views of shareholders. The external auditor also attended the annual general meeting to answer questions of shareholders.

SHAREHOLDERS' RIGHTS

(i) Procedures for members to convene a special general meeting ("SGM")

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Company's registered office in Bermuda and its principal place of business in Hong Kong, for the attention of the Company Secretary, to require a SGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the Shareholders concerned themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act, but any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

The written requisition must state the purposes of the general meeting, signed by the Shareholders concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

If the requisition is in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered Members. On the contrary, if the requisition is invalid, the Shareholders concerned will be advised of this outcome and accordingly, a SGM will not be convened as requested.

The notice period to be given to all the registered Members for consideration of the proposal raised by the shareholders concerned at a SGM varies according to the nature of the proposal, as follows:

– at least twenty-one clear days' and not less than ten clear business days' notice in writing if the proposal constitutes a special resolution of the Company, which cannot be amended other than to a mere clerical amendment to correct a patent error; and

– at least fourteen clear days' and not less than ten clear business days' notice in writing if the proposal constitutes an ordinary resolution of the Company.

(ii) Procedures for a member to propose a person for election as a director

As regards the procedures for proposing a person for election as a Director, please refer to the procedures made available under the Corporate Governance section of the Company's website at www.lionrockgrouphk.com.

(iii) Procedures for directing Shareholders' enquires to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the principal place of business of the Company in Hong Kong or by e-mail to investor@lionrockgrouphk.com for the attention of the company secretary.

(iv) Procedures for putting forward proposals at a general meeting

Shareholders holding (i) not less than one-twentieth of the total voting rights of all Shareholders having the right to vote at the general meeting of the Company; or (ii) not less than 100 Shareholders, can submit a written request stating the resolution intended to be moved at the AGM; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting. The written request/statements must be signed by the Shareholders concern and deposited at the Company's registered office in Bermuda and its principal place of business in Hong Kong for the attention of the company secretary of the Company, not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

If the written request is in order, the Company Secretary will ask the Board (i) to include the resolution in the agenda for the AGM; or (ii) to circulate the statement for the general meeting, provided that the Shareholders concerned have deposited a sum of money reasonably determined by the Board sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement submitted by the Shareholders concerned in accordance with the statutory requirements to all the registered Members. On the contrary, if the requisition is invalid or the Shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Shareholders concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the AGM; or the statement will not be circulated for the general meeting.

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TO THE SHAREHOLDERS OF LION ROCK GROUP LIMITED
獅子山集團有限公司
(FOMERLY KNOWN AS 1010 PRINTING GROUP LIMITED
匯星印刷集團有限公司)
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Lion Rock Group Limited (the Company) and its subsidiaries (together the Group) set out on pages 32 to 98, 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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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.

KEY AUDIT MATTERS

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

Impairment assessment on goodwill

Refer to note 16 and the Group's critical accounting estimates and judgements in relation to impairment of goodwill set out in note 4(i) to the consolidated financial statements

As at 31 December 2017, before taking consideration of the current year's impairment assessment, the Group had goodwill of HK$186,662,000 relating to the acquisitions of O.G. Printing Productions Limited, Asia Pacific Offset Limited, OPUS Group Limited and Regent Publishing Services Limited. Goodwill is assessed annually for impairment.

Management concluded that there was no impairment in respect of the cash-generating units to which goodwill was allocated except for the impairment of HK$1,294,000 for the ceased business of O.G. Printing Productions Limited. This conclusion was based on value-in-use calculations that require the estimation of recoverable amounts, as detailed in note 16 to the consolidated financial statements.

We identified impairment assessment on goodwill as a key audit matter because of its potential significance to the consolidated financial statements. The estimation of recoverable amounts of the cash-generating units to which goodwill was allocated involves a significant degree of judgement and estimation on 5-year period cash flow forecasts of the businesses to be made by management.

OUR RESPONSE

Our procedures in relation to the management's impairment assessment included:

– Assessing the reasonableness of key assumptions based on our knowledge of the business and industry, in particular those relating to the 5-year period cash flow forecasts underlying the value-in-use calculations;

– Assessing management's historical forecasting accuracy by comparing previous projections to actual results achieved; and

– Checking, on a sample basis, the accuracy and relevance of the data provided by the management, such as growth rates and discount rates used.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's 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.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the 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.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

BDO Limited
Certified Public Accountants
Au Yiu Kwan
Practising Certificate Number P05018

Hong Kong, 23 February 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017	2016
		HK$'000	HK$'000
Revenue	5	1,582,725	1,615,831
Direct operating costs		(1,137,197)	(1,158,102)
Gross profit		445,528	457,729
Other income	7	52,280	70,449
Selling and distribution costs		(196,203)	(196,269)
Administrative expenses		(95,958)	(109,767)
Other expenses		(2,963)	(7,223)
Impairment of goodwill	16	(1,294)	–
Finance costs	8	(2,870)	(2,919)
Profit before income tax	9	198,520	212,000
Income tax expense	12	(39,072)	(41,479)
Profit for the year		159,448	170,521
Other comprehensive income Items that may be reclassified subsequently to profit or loss:			
Exchange gains/(losses) on translation of financial statements of foreign operations		36,176	(5,785)
Exchange reserve released upon disposal of a subsidiary	34	557	–
Available-for-sale financial assets		5,100	–
Other comprehensive income for the year, net of tax		41,833	(5,785)
Total comprehensive income for the year		201,281	164,736
Profit for the year attributable to:			
Owners of the Company		147,668	146,146
Non-controlling interests		11,780	24,375
		159,448	170,521
Total comprehensive income attributable to:			
Owners of the Company		185,952	140,706
Non-controlling interests		15,329	24,030
		201,281	164,736
Earnings per share for profit attributable to owners of the Company during the year	14		
Basic		HK19.18 cents	HK18.98 cents
Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017	2016
		HK$'000	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	112,240	133,919
Deposits for acquisition of property, plant and equipment		11,013	–
Intangible assets	16	192,643	150,462
Available-for-sale financial assets	17	47,835	–
Other non-current assets	18	3,680	5,633
Deferred tax assets	26	36,190	35,676
		403,601	325,690
Current assets			
Inventories	19	131,441	82,850
Trade and other receivables and deposits	20	475,387	430,190
Financial assets at fair value through profit or loss	21	–	5,472
Tax recoverable		192	–
Cash and bank balances	22	424,217	461,155
		1,031,237	979,667
Current liabilities			
Trade and other payables	23	255,692	223,663
Bank borrowings	24	69,365	94,766
Finance lease liabilities	25	337	162
Provisions	27	21,912	21,816
Financial liabilities at fair value through profit or loss	21	3,810	–
Provision for taxation		–	6,133
		351,116	346,540
Net current assets		680,121	633,127
Total assets less current liabilities		1,083,722	958,817
Non-current liabilities			
Financial liabilities arising from put option	36	14,198	–
Provisions	27	11,641	7,479
Finance lease liabilities	25	1,196	507
Deferred tax liabilities	26	7,865	5,092
		34,900	13,078
Net assets		1,048,822	945,739
EQUITY			
Share capital	28	7,700	7,700
Reserves	30	979,089	882,201
Equity attributable to owners of the Company		986,789	889,901
Non-controlling interests		62,033	55,838
Total equity		1,048,822	945,739

Yeung Ka Sing
Director

Lau Chuk Kin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company														Non-controlling interests	Total equity
	Share capital	Share premium	Exchange reserve	Merger reserve	Contributed surplus	Available-for-sale financial assets reserve	Put option reserve	Statutory reserve	Other reserve	Employee compensation reserve	Shares held under share award scheme	Proposed final and special dividend	Retained earnings	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1 January 2016	7,700	173,078	(45,739)	(136,875)	310,125	–	–	–	(473)	5,172	(4,489)	34,650	473,728	816,877	57,974	874,851
2015 final dividend paid (Note 13)	–	–	–	–	–	–	–	–	–	–	–	(34,650)	–	(34,650)	–	(34,650)
2016 interim dividend paid (Note 13)	–	–	–	–	–	–	–	–	–	–	–	–	(19,250)	(19,250)	–	(19,250)
Acquisition of non-controlling interests (Note 35(d))	–	–	–	–	–	–	–	–	(9,549)	–	–	–	–	(9,549)	9,549	–
Deemed acquisition of non-controlling interests (Note 35(b))	–	–	–	–	–	–	–	–	(2,358)	–	–	–	–	(2,358)	(8,614)	(10,972)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(27,101)	(27,101)
Purchase of shares under share award scheme (Note 29)	–	–	–	–	–	–	–	–	–	–	(1,005)	–	–	(1,005)	–	(1,005)
Shares vested under share award scheme (Note 29)	–	–	–	–	–	–	–	–	–	(5,172)	5,489	–	(1,187)	(870)	–	(870)
Transactions with owners	–	–	–	–	–	–	–	–	(11,907)	(5,172)	4,484	(34,650)	(20,437)	(67,682)	(26,166)	(93,848)
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	146,146	146,146	24,375	170,521
Other comprehensive income																
Currency translation	–	–	(5,440)	–	–	–	–	–	–	–	–	–	–	(5,440)	(345)	(5,785)
Total comprehensive income for the year	–	–	(5,440)	–	–	–	–	–	–	–	–	–	146,146	140,706	24,030	164,736
2016 proposed special dividend (Note 13)	–	–	–	–	–	–	–	–	–	–	–	11,550	(11,550)	–	–	–
2016 proposed final dividend (Note 13)	–	–	–	–	–	–	–	–	–	–	–	34,650	(34,650)	–	–	–
Balance at 31 December 2016	7,700	173,078	(51,179)	(136,875)	310,125	–	–	–	(12,380)	–	(5)	46,200	553,237	889,901	55,838	945,739

	Attributable to owners of the Company														Non-controlling interests	Total equity
	Share capital	Share premium	Exchange reserve	Merger reserve	Contributed surplus	Available-for-sale financial assets reserve	Put option reserve	Statutory reserve	Other reserve	Employee compensation reserve	Shares held under share award scheme	Proposed final and special dividend	Retained earnings	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1 January 2017	7,700	173,078	(51,179)	(136,875)	310,125	–	–	–	(12,380)	–	(5)	46,200	553,237	889,901	55,838	945,739
2016 final dividend paid (Note 13)	–	–	–	–	–	–	–	–	–	–	–	(34,650)	–	(34,650)	–	(34,650)
2016 special dividend paid (Note 13)	–	–	–	–	–	–	–	–	–	–	–	(11,550)	–	(11,550)	–	(11,550)
2017 interim dividend paid (Note 13)	–	–	–	–	–	–	–	–	–	–	–	–	(23,100)	(23,100)	–	(23,100)
Acquisition of a subsidiary (Note 36)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	8,837	8,837
Deemed acquisition of non-controlling interests (Note 35(b))	–	–	–	–	–	–	–	–	(4,776)	–	–	–	–	(4,776)	(14,515)	(19,291)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(4,945)	(4,945)
Appropriation to statutory reserve	–	–	–	–	–	–	–	737	–	–	–	–	(737)	–	–	–
Put option granted to non-controlling interests of a subsidiary (Note 36)	–	–	–	–	–	–	(13,906)	–	–	–	–	–	–	(13,906)	–	(13,906)
Equity-settled share based payment expenses	–	–	–	–	–	–	–	–	–	407	–	–	–	407	–	407
Exercise of share options in a subsidiary (Note 35(c))	–	–	–	–	–	–	–	–	(1,489)	–	–	–	–	(1,489)	1,489	–
Transactions with owners	–	–	–	–	–	–	(13,906)	737	(6,265)	407	–	(46,200)	(23,837)	(89,064)	(9,134)	(98,198)
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	147,668	147,668	11,780	159,448
Other comprehensive income																
Currency translation	–	–	32,627	–	–	–	–	–	–	–	–	–	–	32,627	3,549	36,176
Release upon disposal of a subsidiary (Note 34)	–	–	557	–	–	–	–	–	–	–	–	–	–	557	–	557
Available-for-sale financial assets	–	–	–	–	–	5,100	–	–	–	–	–	–	–	5,100	–	5,100
Total comprehensive income for the year	–	–	33,184	–	–	5,100	–	–	–	–	–	–	147,668	185,952	15,329	201,281
2017 proposed final dividend (Note 13)	–	–	–	–	–	–	–	–	–	–	–	50,050	(50,050)	–	–	–
Balance at 31 December 2017	7,700	173,078	(17,995)	(136,875)	310,125	5,100	(13,906)	737	(18,645)	407	(5)	50,050	627,018	986,789	62,033	1,048,822

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017	2016
		HK$'000	HK$'000
Cash flows from operating activities			
Profit before income tax		198,520	212,000
Adjustments for:			
Depreciation	9	38,525	61,496
Amortisation of intangible assets	16	2,425	–
Amortisation of other non-current assets	9	3,296	2,858
Loss/(Gain) on financial assets/liabilities at fair value through profit or loss	7, 9	5,669	(11,194)
Impairment of trade receivables written back	7	(9,355)	(6,710)
Interest income	7	(3,489)	(1,868)
(Gain)/Loss on disposals of property, plant and equipment	9	(2,412)	663
Write-off of property, plant and equipment	9	–	9,266
Impairment of goodwill	16	1,294	–
Dividend income	7	–	(21)
Loss/(Gain) on disposal of a subsidiary	7	732	(27,579)
Impairment of trade receivables	9	2,279	7,222
Bad debts written off	9	684	1
Interest element of finance lease payments	8	90	42
Imputed interests on financial liabilities arising from put option	8	292	–
Interest expenses	8	2,488	2,877
Write (back)/down of inventories	9	(3,236)	3,620
Write back of accruals	7	(152)	(2,341)
Equity-settled share-based payment expenses	11	407	–
Operating profit before working capital changes		238,057	250,332
(Increase)/Decrease in inventories		(39,237)	32,861
(Increase)/Decrease in trade and other receivables and deposits		(27,061)	104,907
Increase/(Decrease) in trade and other payables		18,752	(20,463)
Increase/(Decrease) in provisions		5,725	(1,004)
Decrease in financial assets at fair value through profit or loss		3,613	5,502

	Notes	2017	2016
		HK$'000	HK$'000
Cash generated from operations		199,849	372,135
Income taxes paid		(42,589)	(52,957)
Net cash generated from operating activities		157,260	319,178
Cash flows from investing activities			
Disposals of a subsidiary, net of cash disposed	34	(137)	33,525
Transaction cost for disposals of a subsidiary	34	–	(130)
Interest received		3,489	1,868
Proceeds on disposals of property, plant and equipment		12,921	1,056
Purchases of property, plant and equipment		(18,219)	(21,777)
Deposits for acquisition of property, plant and equipment		(11,013)	–
Acquisition of subsidiary, net of cash acquired	36	(28,251)	–
Purchase of available-for-sale financial assets	17	(42,349)	–
Payments for deemed acquisition of non-controlling interests	35(b)	(19,291)	(10,972)
Dividend received		–	21
Net cash (used in)/generated from investing activities		(102,850)	3,591
Cash flows from financing activities			
Proceeds of bank borrowings		15,490	–
Repayments of bank borrowings		(40,891)	(36,721)
Interest on bank borrowings paid		(2,488)	(2,877)
Capital element of finance lease liabilities paid		(561)	(702)
Interest element of finance lease liabilities paid		(90)	(42)
Dividends paid to the owners of the Company	13	(69,300)	(53,900)
Dividends paid to non-controlling interests		(4,945)	(27,101)
Purchase of shares under shares award scheme	29	–	(1,005)
Payments to employees under shares award scheme	29	–	(870)
Net cash used in financing activities		(102,785)	(123,218)
Net increase in cash and cash equivalents		(48,375)	199,551
Effect of exchange rate fluctuations, net		11,437	(1,291)
Cash and cash equivalents at 1 January		461,155	262,895
Cash and cash equivalents at 31 December		424,217	461,155
Analysis of cash and cash equivalents			
Cash and bank balances		424,217	461,155

1. GENERAL INFORMATION

Lion Rock Group Limited (formerly known as 1010 Printing Group Limited) (the "Company") was incorporated in Bermuda under the Bermuda Companies Act as an exempted limited liability company on 9 March 2011. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is 26/F, 625 King's Road, North Point, Hong Kong. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") on 25 July 2011.

Pursuant to the special resolution by the shareholders passed on 28 April 2017, the Registrar of Companies in Bermuda has approved the change of the name of the Company on 2 May 2017 and issued the Certificate of Incorporation of Change of Name on 12 May 2017. Hence, the name of the Company has been changed from "1010 Printing Group Limited" to "Lion Rock Group Limited" and its Chinese name "獅子山集團有限公司" has been adopted to replace "匯星印刷集團有限公司" for identification purpose only with effect from 2 May 2017.

The Company acts as an investment holding company. Details of the activities of its principal subsidiaries are set out in Note 38 to the financial statements. The Company and its subsidiaries are collectively referred to as the "Group" hereafter.

In March 2017, the Group completed the acquisition of 75% of the issued share capital of Regent Publishing Services Limited, details of which are set out in Note 36. In January 2017, the Group completed the disposal of its 61.88% interest in Ligare Limited, details of which are set out in Note 34. Other than these transcations, there were no significant changes in the Group's operations during the year.

The financial statements for the year ended 31 December 2017 were approved for issue by the board of directors of the Company (the "Directors") on 23 February 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 32 to 98 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in Note 3.

The financial statements have been prepared under historical cost convention, except for certain financial assets and liabilities that are measured at fair value through profit or loss and available-for-sale financial assets, which are stated at fair value. The measurement bases are fully described in the accounting policies below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2.2 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Business combination and basis of consolidation (Continued)

When the Group loses control of a subsidiary, profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in those non-controlling interests having a deficit balance.

2.3 Subsidiaries

A subsidiary is an investee over which the Group is able to exercise control. The Group controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2.4 Foreign currency translation

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

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

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 and are reported as part of the fair value gain or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

2.5 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Freehold land in Australia is not depreciated. Depreciation on other property, plant and equipment is provided to write-off their costs over their estimated useful lives, using straight-line method, at the following rates per annum:

Buildings on freehold land	4% – 14%
Furniture and fixtures	10% – 50%
Office equipment	10% – 50%
Leasehold improvements	4% – 50% or over the lease terms, whichever is shorter
Computer equipment and systems	20% – 100%
Motor vehicles	12.5% – 33.33%
Machinery	5% – 50%

The assets' depreciation methods, residual values and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

Assets held under finance leases are depreciated over their estimated useful lives or where shorter the term of the lease using the same method as owned assets in the same category.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGU") that are expected to benefit from the synergies of the acquisition. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see Note 2.15), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value-in-use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

2.7 Intangible assets (other than goodwill)

Intangible assets, mainly non-contractual customers relationship, acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on straight-line method over their useful lives of 3 years. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses. The amortisation expenses is recognised in profit or loss and included in administrative expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries are set out below. The Group's financial assets are classified into loans and receivables and financial assets at fair value through profit or loss. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

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

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in Note 2.14 to the financial statements.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

(iii) Available-for-sale financial assets

These are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the investment revaluation reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recycled to profit or loss. Interest calculated using effective interest method is recognised in profit or loss. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to profit or loss.

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment and impairment is recognised based on the classification of the financial asset.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– Significant financial difficulty of the debtors;

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

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

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

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

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of loss is recognised in profit or loss of the year in which the impairment occurs.

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

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals of impairment for investment in equity instruments classified as available-for-sale are not recognised in profit or loss. The subsequent increase in fair value is recognised in other comprehensive income.

For financial assets other than financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using weighted average cost method, and in the case of work-in-progress and finished goods, cost comprises direct materials and, where applicable, direct labour costs and those overhead costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and applicable selling expenses.

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

2.10 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired, less bank overdrafts which are payable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Leases (Continued)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset or, if lower, the present value of the minimum lease payments (the "Initial Value"), of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance lease charges, are recorded as finance lease liabilities.

Subsequent accounting for assets held under finance leases corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance lease charges.

(iii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss using straight-line method over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the period in which they are incurred.

(iv) Assets leased out under operating leases as the lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on straight-line method over the lease term.

2.12 Financial liabilities

The Group's financial liabilities include bank borrowings, trade and other payables, financial liabilities at fair value through profit or loss and finance lease liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2.17).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial liabilities (Continued)

Finance lease liabilities

Finance lease liabilities are measured at Initial Value less the capital element of lease repayments (see Note 2.11).

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowing using effective interest method.

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

Financial liabilities at fair value through profit or loss

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are recognised initially at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

Trade and other payables and financial liabilities arising from put option

These are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method.

2.13 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issue of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, rendering of services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

– Printing income, publication sales and sale of scrapped paper and by-products are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

– Interest income is recognised on time-proportion basis using effective interest method.

– Dividend income is recognised when the right to receive the dividend is established.

– Rental income under operating leases is recognised on straight-line method over the term of the relevant lease.

2.15 Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment, intangible assets other than goodwill and interests in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value-in-use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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 in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value-in-use is based on the estimated future cash flows expected to be derived from the asset or CGU (see Note 2.6), 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 or CGU.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Employee benefits

(i) *Retirement benefit schemes*

The Group participates in several staff retirement benefit schemes for employees in Hong Kong, the People's Republic of China (the "PRC"), Australia and other countries, comprising defined contribution retirement schemes or a Mandatory Provident Fund scheme (the "MPF Scheme"). The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and by the relevant group companies. The retirement benefit scheme costs charged to profit or loss represents contributions payable by the Group to the schemes.

The subsidiaries operating in the PRC and other countries are required to participate in the defined contribution retirement schemes for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement benefit schemes at a specified percentage of employees' relevant income and there are no other further obligations to the Group.

(ii) *Share-based employee compensation*

The Group operates two equity-settled share-based compensation plans, including share option scheme and share award scheme to remunerate its employees, directors and sale agents.

For share options granted by the Group, the share-based compensation is recognised as an expense in the Group's statement of profit or loss and other comprehensive income with a corresponding credit to the employee compensation reserve.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. The fair value is measured at the grant date using applicable option-pricing models, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

For the share award scheme, when the trustee purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held under share award scheme and deducted from total equity. No gain or loss is recognised on the transactions of the Company's own shares. When the trustee transfers the Company's shares to the grantees upon vesting, the related costs of the granted shares vested are transferred to share held under share award scheme. Accordingly, the related expense of the granted shares vested is transferred from employee compensation reserve. The difference arising from such transfer is debited or credited to retained earnings. At the end of the reporting period, the Group revises its estimates of the number of shares that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to the employee compensation reserve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Employee benefits (Continued)

(iii) Bonus plans

The Group recognises a liability and an expense for bonuses where it has a contractual obligation or where there is a past practice that has created a constructive obligation.

(iv) Short-term employee benefits

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the reporting date. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(v) Other long-term employee benefits

The liability for long service leave and annual leave in Australia which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on high-quality corporate bonds with terms and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

2.17 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

2.18 Income taxes

Income tax for the year comprises current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Income taxes (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

2.19 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified one reportable segment, which is the provision of printing services. No segment information is presented other than the analysis of sales and non-current assets by geographical location.

The measurement policies the Group uses for reporting segment profit under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

- expenses related to share-based payments
- finance costs
- income tax expense

are not included in arriving at the operating profit of the operating segment.

Segment assets include all assets.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include deferred tax liabilities and liabilities incurred for financing rather than operating purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

2.21 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

3.1 Adoption of new or amended HKFRSs

During the year, the Group has adopted all the new or amended HKFRSs which are first effective for the reporting year and relevant to the Group. Except as explained below, the adoption of these new or amended HKFRSs did not result in material changes to the Group's accounting policies.

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the cash flow statement, note 39.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

Annual improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

3.2 New or amended HKFRSs that have been issued but are not yet effective

At the date of this report, the following new or amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3 Business Combinations, HKFRS 11 Joint Arrangements, HKAS 12 Income Taxes and HKAS 23 Borrowing Costs[2]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKFRS 17	Insurance Contracts[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Venture[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

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 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

4 Effective for annual periods beginning on or after 1 January 2021

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The Directors are currently assessing the impact of the new or amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs will not result in material financial impact on the consolidated financial statements. Information on new or amended HKFRSs that are expected to have an impact on the Group's accounting policies is provided below.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

3.2 New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKFRS 2 – Classification and Measurement of Share-based Payment Transactions

This standard is effective for accounting periods beginning on or after 1 January 2018. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The directors of the Company anticipate that this amendment does not result in any significant impact on the Group's financial position and results of operations.

HKFRS 9 – Financial Instruments

This standard is effective for accounting periods beginning on or after 1 January 2018. HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Group does not expect the new rules to have a significant impact on the classification and measurement of its financial assets. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

During the year ended 31 December 2017 and 2016, there were no significant impairment for the Group's financial assets. The directors of the Company anticipate that the implementation of HKFRS 9 is not expected to result in any significant impact on the Group's financial position and results of operations.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

3.2 New or amended HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 15 - Revenue from Contracts with Customers

This standard is effective for accounting periods beginning on or after 1 January 2018. The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of 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 each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

This standard is effective for accounting periods beginning on or after 1 January 2018. The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a material impact on the amounts reported to the consolidated financial statements of the Group in the future based on the existing business model of the Group as at 31 December 2017.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

This amendment is effective for accounting periods beginning on or after 1 January 2019. The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss. The directors of the Company anticipate that this amendment does not result in any significant impact on the Group's financial position and results of operations.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

3.2 New or amended HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 16 – Leases

This standard is effective for accounting periods beginning on or after 1 January 2019. HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for property, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As set out in Note 32, the future aggregate minimum lease payments under non-cancellable operating lease of the Group as at 31 December 2017 amounted to HK$108,130,000. Based on current leasing patterns, the Group do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that the certain portion of the lease commitment will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

HK(IFRIC)-Int 22 – Foreign Currency Transactions and Advance Consideration

This Interpretation is effective for accounting periods beginning on or after 1 January 2018. The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The directors of the Company anticipate that this interpretation does not result in any significant impact on the Group's financial position and results of operations.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

3.2 New or amended HKFRSs that have been issued but are not yet effective (Continued)

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

This Interpretation is effective for accounting periods beginning on or after 1 January 2019. The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

The directors of the Company anticipate that this interpretation does not result in any significant impact on the Group's financial position and results of operations.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The preparation of the consolidated financial statements requires management to make judgement, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of CGUs have been determined based on value-in-use calculations, which require the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

(ii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to the changes in market condition. Management reassesses these estimations at the reporting date.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(iii) Estimated impairment of receivables

The policy for impairment of receivables of the Group is based on, where appropriate, the evaluation of collectability and ageing analysis of the receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these outstandings, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

(iv) Depreciation

The Group depreciates property, plant and equipment using straight-line method over the estimated useful lives, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the Directors' best estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(v) Current taxation and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the amount of the provision of taxation, the timing of the related tax and whether deferred tax assets are recognised on the statement of financial position.

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final outcome of the tax matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable earnings in future periods are based on forecasted taxable income.

(vi) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are:

Level 1: Quoted prices in active markets for identical items (unadjusted);
Level 2: Observable direct or indirect inputs other than Level 1 inputs;
Level 3: Unobservable inputs (i.e. not derived from market data).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(vi) Fair value measurement (Continued)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures financial assets/liabilities at fair value through profit or loss and available-for-sale financial assets at fair value. For more detailed information in relation to the fair value measurement of the items above, please refer to Note 41.

(vii) Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

(viii) Provision for leasehold dilapidations

A provision has been made for the estimated cost of returning the leasehold properties to its original state at the end of the lease in accordance with the lease terms. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the consolidated statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

5. REVENUE

Revenue represents the printing income earned by the Group during the year.

6. SEGMENT INFORMATION

The executive directors have identified that the Group has only one reportable segment, which is the provision of printing services.

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas.

	Revenue from external customers		Non-current assets (excluding deferred tax assets and available-for-sale financial assets)	
	2017	2016	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000
PRC	–	–	70,965	89,467
Australia	671,688	645,356	143,520	133,162
United States of America ("USA")	487,280	458,003	25	241
United Kingdom	164,957	282,799	7	7
Spain	61,954	78,332	–	–
France	22,485	865	–	–
Peru	19,609	7,596	–	–
Hong Kong (domicile)	19,563	5,294	93,923	58,631
New Zealand	18,716	23,236	–	175
Singapore	15,783	14,372	11,136	8,331
Mexico	14,628	16,699	–	–
Chile	13,784	14,379	–	–
Argentina	12,746	7,705	–	–
Austria	11,553	176	–	–
Canada	8,927	5,143	–	–
Bolivia	8,846	6,922	–	–
Brazil	6,980	4,577	–	–
Germany	2,216	22,572	–	–
Costa Rica	2,046	5,632	–	–
Others	18,964	16,173	–	–
	1,582,725	1,615,831	319,576	290,014

Sales by geographical markets are analysed based on the location of customers and the geographical location of non-current assets is based on (1) the physical location of the assets (for property, plant and equipment) and (2) location of operations (for intangible assets).

There was no single customer who contributed to 10% or more of the Group's revenue for the years ended 31 December 2017 and 2016. Revenue from single customer included the sales to entities which are known to the Group to be under common control with these customers.

6. SEGMENT INFORMATION (Continued)

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

	2017	2016
	HK$'000	HK$'000
Reportable segment profit	201,797	214,919
Equity-settled share-based payments	(407)	–
Finance costs	(2,870)	(2,919)
Profit before income tax	198,520	212,000
Reportable segment liabilities	308,786	259,760
Deferred tax liabilities	7,865	5,092
Borrowings	69,365	94,766
Group liabilities	386,016	359,618

7. OTHER INCOME

	2017	2016
	HK$'000	HK$'000
Sales of scrapped paper and by-products	19,286	15,866
Gain on financial assets/liabilities at fair value through profit or loss	–	11,194
Net foreign exchange gain	13,173	–
Bad debts recovered	22	–
Impairment of trade receivables written back (Note 20)	9,355	6,710
Interest income	3,489	1,868
Rental income	164	163
Gain on disposal of a subsidiary (Note 34)	–	27,579
Gain on disposals of property, plant and equipment	2,412	–
Government grants	476	1,225
Write back of accruals	152	2,341
Dividend income	–	21
Sundry income	3,751	3,482
	52,280	70,449

8. FINANCE COSTS

	2017	2016
	HK$'000	HK$'000
Interest charges on bank borrowings, which contain a repayment on demand clause	2,488	2,877
Finance lease charges	90	42
Imputed interest on financial liabilities arising from put option (Note 36)	292	–
	2,870	2,919

9. PROFIT BEFORE INCOME TAX

	2017	2016
	HK$'000	HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration (Note (i) below)	2,454	2,392
Impairment of trade receivables (Note 20)	2,279	7,222
Bad debts written off	684	1
Cost of inventories recognised as expense	1,137,197	1,158,102
(Write-back)/Write-down of inventories (Note 19)	(3,236)	3,620
Depreciation of property, plant and equipment (Note 15 and Note (ii) below)		
– Owned	38,198	61,044
– Held under finance leases	327	452
Amortisation of other non-current assets (Note 18)	3,296	2,858
Amortisation of intangible asset (Note 16)	2,425	–
(Gain)/Loss on disposals of property, plant and equipment	(2,412)	663
Write-off of property, plant and equipment	–	9,266
Minimum lease payments paid under operating leases in respect of rented premises and production facilities	31,186	30,861
Net (gain)/loss on foreign exchange loss	(13,173)	3,385
Loss on financial assets at fair value through profit or loss	5,669	–
Employee benefit expense (Note 11 and Note (iii) below)	304,427	312,648

Notes:

(i) Auditor's remuneration for other non-audit services of HK$231,000 was recognised during the year (2016: HK$183,000).

(ii) Depreciation charges of HK$35,238,000 (2016: HK$57,350,000) and HK$3,287,000 (2016: HK$4,146,000) have been included in direct operating costs and administrative expenses respectively.

(iii) Employee benefit expense of HK$202,973,000 (2016: HK$213,255,000), HK$61,110,000 (2016: HK$51,661,000) and HK$40,344,000 (2016: HK$47,732,000) have been included in direct operating costs, selling and distribution costs and administrative expenses respectively.

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of the emoluments paid or payable to the directors and the chief executive are as follows:

	Fee	Salaries and allowances	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
2017				
Executive directors				
Mr. Lau Chuk Kin	–	1,200	–	1,200
Mr. Lam Wing Yip	–	1,680	18	1,698
Mr. Chu Chun Wan	–	1,873	147	2,020
Ms. Lam Mei Lan	–	840	–	840
Non-executive director				
Mr. Guo Junsheng	120	–	–	120
Mr. Li Hoi, David (re-designated from executive director to non-executive director on 1 September 2017)	40	1,066	–	1,106
Independent non-executive directors				
Mr. Yeung Ka Sing	240	–	–	240
Prof. Lee Hau Leung	150	–	–	150
Mr. Tsui King Chung, David	210	–	–	210
Dr. Ng Lai Man, Carmen	210	–	–	210
	970	6,659	165	7,794
2016				
Executive directors				
Mr. Lau Chuk Kin	–	1,200	–	1,200
Mr. Lam Wing Yip	–	1,470	18	1,488
Mr. Li Hoi, David	–	1,681	–	1,681
Mr. Chu Chun Wan	–	2,066	147	2,213
Ms. Lam Mei Lan	–	1,050	–	1,050
Non-executive director				
Mr. Guo Junsheng (appointed on 9 May 2016)	80	–	–	80
Independent non-executive directors				
Mr. Yeung Ka Sing	180	–	–	180
Prof. Lee Hau Leung	120	–	–	120
Mr. Tsui King Chung, David	180	–	–	180
Dr. Ng Lai Man, Carmen	180	–	–	180
	740	7,467	165	8,372

During each of the two years ended 31 December 2017 and 2016, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) **Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year included two (2016: two) directors whose emolument are reflected in the analysis presented above. Emoluments payable to the remaining three (2016: three) individuals during the year are as follows:

	2017	2016
	HK$'000	HK$'000
Salaries, allowances and other benefits	4,755	5,896
Retirement benefit scheme contributions	126	167
	4,881	6,063

Their emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands		
HK$1,000,001 – HK$1,500,000	1	Nil
HK$1,500,001 – HK$2,000,000	2	1
HK$2,000,001 – HK$2,500,000	Nil	2
	3	3

During each of the two years ended 31 December 2017 and 2016, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

The emoluments paid or payable to members of senior management were within the following bands:

	Number of individuals	
	2017	2016
Emolument bands		
Nil – HK$1,000,000	3	3
HK$1,000,001 – HK$1,500,000	4	4
HK$1,500,001 – HK$2,000,000	1	–
HK$2,000,001 – HK$2,500,000	–	1

11. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2017	2016
	HK$'000	HK$'000
Directors' fees	970	740
Wages, salaries and other benefits	287,384	295,292
Equity-settled share-based payments (Note 36)	407	–
Retirement benefit scheme contributions	15,666	16,616
	304,427	312,648

12. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2017	2016
	HK$'000	HK$'000
Current tax – Hong Kong profits tax		
Tax for the year	20,654	25,206
Under/(Over) provision in prior years	169	(56)
	20,823	25,150
Current tax – overseas		
Tax for the year	16,392	20,429
(Over)/Under provision in prior years	(952)	211
	15,440	20,640
Deferred tax (Note 26)		
Current year	2,809	(4,311)
	39,072	41,479

Reconciliation between income tax expense and accounting profit at applicable tax rates is as follows:

	2017	2016
	HK$'000	HK$'000
Profit before income tax	198,520	212,000
Notional tax calculated at the rates applicable to the profits in the tax jurisdictions concerned	40,702	47,063
Tax effect of non-taxable revenue	(6,230)	(13,201)
Tax effect of non-deductible expenses	4,080	1,983
Tax effect of temporary differences not recognised	411	2,186
Tax effect of tax losses not recognised	703	1,171
Utilisation of tax losses previously not recognised	–	(208)
PRC dividend withholding tax	250	2,950
Others	(61)	(620)
(Over)/Under-provision in prior years	(783)	155
Income tax expense	39,072	41,479

13. DIVIDENDS

	2017	2016
	HK$'000	HK$'000
Final dividend paid in respect of prior year HK$0.045 (2016: HK$0.045) per share	34,650	34,650
Special dividend paid in respect of prior year HK$0.015 (2016: Nil) per share	11,550	–
Interim dividend paid in respect of current year HK$0.03 (2016: HK$0.025) per share	23,100	19,250
	69,300	53,900

At a meeting held on 23 February 2018, the directors recommended a final dividend of HK$0.065 per ordinary share. Those proposed dividends are not reflected as a dividend payable in these financial statements, but reflected as an appropriation of retained earnings for the year ended 31 December 2017.

There are no income tax consequences related to the payment of dividends by the Company to its shareholders.

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK$147,668,000 (2016: HK$146,146,000) and on the weighted average number of ordinary shares in issue less shares held for share award scheme that have not been vested unconditionally in the employees during the year of 769,997,090 (2016: 769,999,698).

No diluted earnings per share are presented as the Group has no dilutive potential ordinary shares during the year (2016: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Furniture and fixtures	Office equipment	Leasehold improvements	Computer equipment and systems	Motor vehicles	Machinery	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2016								
Cost	11,031	5,105	7,593	55,006	14,315	3,566	345,145	441,761
Accumulated depreciation	(1,825)	(4,514)	(4,935)	(40,930)	(12,735)	(1,594)	(180,736)	(247,269)
Net book amount	9,206	591	2,658	14,076	1,580	1,972	164,409	194,492
Year ended 31 December 2016								
Opening net book amount	9,206	591	2,658	14,076	1,580	1,972	164,409	194,492
Exchange differences	18	(2)	(118)	(94)	(11)	(24)	(2,832)	(3,063)
Additions	–	9	1,853	1,245	606	705	17,854	22,272
Disposals	–	–	–	–	(330)	–	(1,389)	(1,719)
Write-off	–	–	(374)	–	–	–	(8,892)	(9,266)
Disposed through disposal of subsidiaries (Note 34)	–	–	(161)	(417)	(109)	(36)	(6,578)	(7,301)
Depreciation	(987)	(260)	(744)	(5,155)	(1,163)	(773)	(52,414)	(61,496)
Closing net book amount	8,237	338	3,114	9,655	573	1,844	110,158	133,919
At 31 December 2016 and 1 January 2017								
Cost	11,031	5,086	7,580	55,607	12,275	3,284	305,825	400,688
Accumulated depreciation	(2,794)	(4,748)	(4,466)	(45,952)	(11,702)	(1,440)	(195,667)	(266,769)
Net book amount	8,237	338	3,114	9,655	573	1,844	110,158	133,919
Year ended 31 December 2017								
Opening net book amount	8,237	338	3,114	9,655	573	1,844	110,158	133,919
Exchange differences	724	1	220	239	39	45	6,320	7,588
Additions	–	103	362	5,194	984	–	12,956	19,599
Disposals	–	(7)	(3)	(1)	(5)	(189)	(10,304)	(10,509)
Acquisition of subsidiary (Note 36)	–	27	91	191	35	–	–	344
Disposed through disposal of subsidiaries (Note 34)	–	–	(8)	–	(7)	–	(161)	(176)
Depreciation	(1,032)	(211)	(667)	(3,762)	(394)	(727)	(31,732)	(38,525)
Closing net book amount	7,929	251	3,109	11,516	1,225	973	87,237	112,240
At 31 December 2017								
Cost	12,035	5,062	8,334	61,558	13,302	2,950	303,939	407,180
Accumulated depreciation	(4,106)	(4,811)	(5,225)	(50,042)	(12,077)	(1,977)	(216,702)	(294,940)
Net book amount	7,929	251	3,109	11,516	1,225	973	87,237	112,240

As at 31 December 2017 and 2016, the Group's freehold land and buildings are situated in Australia.

Net book amount of property, plant and equipment as at 31 December 2017 includes the net carrying amount of HK$1,473,000 (2016: HK$674,000) held under finance leases (Note 25).

16. INTANGIBLE ASSETS

	Goodwill	Customers relationship	Total
	HK$'000	HK$'000	HK$'000
Carrying amount at 1 January 2016 and 31 December 2016	150,462	–	150,462
Acquisition of subsidiary (Note 36)	27,741	9,700	37,441
Exchange differences	8,459	–	8,459
Impairment losses	(1,294)	–	(1,294)
Amortisation during the year	–	(2,425)	(2,425)
Carrying amount at 31 December 2017	185,368	7,275	192,643

Goodwill is allocated to the Group's CGU, a summary of which is presented below:

	2017	2016
	HK$'000	HK$'000
O.G. Printing Productions Limited	–	1,294
Asia Pacific Offset Limited ("APOL")	56,132	56,132
OPUS Group Limited ("OPUS")	101,495	93,036
Regent Publishing Services Limited ("Regent")	27,741	–
	185,368	150,462

The recoverable amount for the CGU is determined based on value–in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using the estimated growth rates as stated below. The growth rate does not exceed the long-term average growth rate for the printing business in which the CGU operates. The discount rates used for value-in-use calculations are pre-tax and reflect specific risks relating to the relevant CGU.

The key assumptions used for value-in-use calculations are as follows:

	Growth rate		Pre-tax discount rate	
	2017	2016	2017	2016
O.G. Printing Productions Limited	N/A	0%	N/A	13%
APOL	0%	0%	12%	14%
OPUS	0%	0%	16%	17%
Regent	0%	N/A	15%	N/A

Apart from the considerations described above in determining the value-in-use of the CGU, management is not aware of any other probable changes that would necessitate changes in the key assumptions. Management determines that the CGU containing goodwill does not suffer any impairment except for O.G. Printing Productions Limited which ceased its business during the year.

16. INTANGIBLE ASSETS (Continued)

The non-contractual customers relationship arose from the acquisition of Regent during the year (Note 36). In accordance with HKFRS 3 "Business Combination", the Group recognised Regent's assets and liabilities which include intangible assets at the acquisition date. The fair value of customers relationship on the completion date of the acquisition was determined based on a valuation performed by an independent professional valuer, BMI Appraisals Limited. The valuation is determined based on the discounted cash flow method of income approach.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	HK$'000	HK$'000
Equity securities listed in United Kingdom at fair value	47,835	–

18. OTHER NON-CURRENT ASSETS

The balance represented the prepayment for the leases related to 1) a lease of the operational facility building in Singapore for 10 years, starting from 2013 and 2) a lease of the office equipment for 4 years, starting from 2015. The unamortised cost of facility building and the unutilised prepayment of office equipment of HK$3,680,000 (2016: HK$5,633,000) and HK$1,960,000 (2016: HK$2,666,000) have been recognised as non-current assets and current assets respectively as at 31 December 2017. Total amortisation of HK$3,296,000 (2016: HK$2,858,000) has been recognised to profit or loss during the year.

19. INVENTORIES

	2017	2016
	HK$'000	HK$'000
Raw materials	94,166	55,750
Work-in-progress	32,870	23,842
Finished goods	4,405	3,258
	131,441	82,850

During the year, the Group made a write back of provision for inventories of HK$3,236,000 (2016: write down of HK$3,620,000). These amounts are included in "direct operating costs" in profit or loss.

20. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	2017	2016
	HK$'000	HK$'000
Trade receivables	445,634	412,439
Less: Provision for impairment of trade receivables	(2,930)	(11,548)
Trade receivables – net	442,704	400,891
Other receivables and deposits	32,683	29,299
	475,387	430,190

Movement in the provision for impairment loss on trade receivables is as follows:

	2017	2016
	HK$'000	HK$'000
Balance at the beginning of the year	11,548	12,516
Amount written off during the year	(1,279)	(1,428)
Impairment losses recognised during the year (Note 9)	2,279	7,222
Impairment losses recovered during the year (Note 7)	(9,355)	(6,710)
Exchange differences	(263)	(52)
Balance at the end of the year	2,930	11,548

The Group recognised provision for impairment of trade receivables based on the accounting policy stated in Note 2.8.

Ageing analysis of trade receivables, net of provision as at 31 December 2017, based on the invoice date, is as follows:

	2017	2016
	HK$'000	HK$'000
0 – 30 days	121,781	141,426
31 – 60 days	82,527	80,355
61 – 90 days	88,070	68,225
91 – 120 days	61,506	50,163
121 – 150 days	53,082	39,085
Over 150 days	35,738	21,637
Total trade receivables	442,704	400,891

In general, the Group allows a credit period from 30 to 150 days (2016: 30 to 150 days) to its customers.

The directors consider that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

20. TRADE AND OTHER RECEIVABLES AND DEPOSITS (Continued)

All trade receivables are subject to credit risk exposure. At each of the reporting dates, the Group reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2017, the Group determined trade receivables of HK$2,930,000 (2016: HK$11,548,000) as impaired and as a result, impairment loss of HK$2,279,000 (2016: HK$7,222,000) has been recognised. The impaired trade receivables are due from the customers experiencing financial difficulties that have the possibility of default or delinquency of payments.

As at 31 December 2017 and 2016, the Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables.

In addition, some of the unimpaired trade receivables are past due as at the reporting date. Ageing analysis of trade receivables past due but not impaired is as follows:

	2017	2016
	HK$'000	HK$'000
Neither past due nor impaired	320,156	302,175
1 – 30 days past due	67,018	63,089
31 – 90 days past due	52,500	34,338
Over 90 days past due but less than one year	3,030	1,289
	442,704	400,891

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Other trade receivables that were past due but not impaired related to a large number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of these balances.

21. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

This relates to the forward foreign exchange contracts which are considered by management as part of economic hedging arrangements but have not been formally designated as hedges in accordance with HKAS 39. These foreign exchange contracts were stated at fair value. Its fair value has been measured as described in Note 41.

22. CASH AND BANK BALANCES

Cash at banks earned interest at floating rates based on the daily bank deposits rates during the year.

As at 31 December 2017, included in cash and bank balances of the Group was HK$13,217,000 (2016: HK$2,179,000) of bank balances denominated in Renminbi ("RMB") placed with the banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

23. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	HK$'000
Trade payables	112,556	92,336
Other payables and accruals	143,136	131,327
	255,692	223,663

As at 31 December 2017, ageing analysis of trade payables based on invoice date is as follows:

	2017	2016
	HK$'000	HK$'000
0 – 30 days	58,714	63,487
31 – 60 days	35,244	20,262
61 – 90 days	15,871	5,466
91 – 120 days	1,028	461
Over 120 days	1,699	2,660
	112,556	92,336

Credit terms granted by the suppliers are generally 0 – 90 days (2016: 0 – 90 days). All amounts are short term and hence the carrying values of trade and other payables are considered to be a reasonable approximation to their fair values.

Breakdown of other payables and accruals:

	2017	2016
	HK$'000	HK$'000
Staff costs and commission payables	28,187	24,634
Volume rebate payables	37,571	34,465
Severance payment provision	35,389	34,591
Accruals for purchase and production costs	13,990	10,979
Others	27,999	26,658
	143,136	131,327

24. BANK BORROWINGS

	2017	2016
	HK$'000	HK$'000
Current portion		
– Bank loans due for repayment within one year	28,400	25,400
– Bank loans due for repayment after one year which contain a repayment on demand clause	40,965	69,366
Total bank borrowings	69,365	94,766

The current portion includes bank borrowings of HK$40,965,000 (2016: HK$69,366,000) are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at its own discretion. None of the portion of these bank loans due from repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

Assuming that the banks do not request the clause for repayment on demand and based on the repayment dates as scheduled in the loan agreements, the Group's bank borrowings are due for repayments, as at each of the reporting dates, as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	28,400	25,400
In the second year	23,465	28,401
In the third to fifth year	17,500	40,965
Wholly repayable within five years	69,365	94,766

All bank borrowings as at 31 December 2017 and 2016 are secured by the corporate guarantee from the Company and with floating interest rates.

Effective interest rate of the bank borrowings ranged from 2.24% to 3.44% (2016: 2.22% to 3.00%) per annum for the year.

25. FINANCE LEASE LIABILITIES

	2017	2016
	HK$'000	HK$'000
Total minimum lease payments:		
Due within one year	424	201
Due in the second to fifth years	1,321	573
	1,745	774
Future finance charges on finance leases	(212)	(105)
Present value of finance lease liabilities	1,533	669

	2017	2016
	HK$'000	HK$'000
Present value of minimum lease payments:		
Due within one year	337	162
Due in the second to fifth years	1,196	507
	1,533	669
Less: Portion due within one year included under current liabilities	(337)	(162)
Non-current portion included under non-current liabilities	1,196	507

The Group entered into finance lease for various items of machineries and motor vehicle. The lease runs for an initial period of five years (2016: five years) and does not have options to renew or any contingent rental provisions.

Finance lease liabilities are effectively secured by the underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

26. DEFERRED TAX ASSETS/LIABILITIES

Deferred taxation is calculated on temporary differences under liability method using the rates of taxation prevailing in the countries in which the Group operates.

Group

Details of the deferred tax assets/(liabilities) recognised and movement during the current and prior years are as follows:

	Accelerated tax depreciation		Impairment of trade receivables		Write-down of inventories		Provisions and accruals		PRC dividend withholding tax		Customers relationship		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January	8,838	2,416	1,473	2,055	4,228	3,325	18,995	20,974	(2,950)	–	–	–	30,584	28,770
Credited/(Debited) to profit or loss for the current year (Note 12)	(491)	6,591	(397)	(593)	(840)	1,216	(1,231)	47	(250)	(2,950)	400	–	(2,809)	4,311
Exchange differences	385	(169)	42	11	275	(97)	1,449	(225)	–	–		–	2,151	(480)
Derecognised through disposals of a subsidiary (Note 34)	–	–	–	–	–	(216)	–	(1,801)	–	–		–	–	(2,017)
Acquisition of a subsidiary (Note 36)	–	–	–	–	–	–	–	–	–	–	(1,601)	–	(1,601)	–
At 31 December	8,732	8,838	1,118	1,473	3,663	4,228	19,213	18,995	(3,200)	(2,950)	(1,201)	–	28,325	30,584

For the purpose of presentation in statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2017	2016
	HK$'000	HK$'000
Deferred tax assets	36,190	35,676
Deferred tax liabilities	(7,865)	(5,092)
	28,325	30,584

Pursuant to the PRC Corporate Income Tax Law, 10% withholding tax is levied on dividends declared to foreign investment enterprises established in the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The applicable rate to the Group is 10%. The Group is liable to withholding taxes on dividends distributed by the subsidiary established in the PRC in respect of earnings generated from 1 January 2008. As at 31 December 2017 and 2016, deferred tax liabilities HK$3,200,000 and HK$2,950,000 have been recognised in respect of the tax that would be payable on the distribution of the retained profits of the Group's subsidiary established in the PRC.

At the reporting date, the amount of the deferred tax assets not recognised is as follows:

	2017	2016
	HK$'000	HK$'000
Tax effect of unutilised tax losses	4,601	5,213

Deferred tax asset in respect of tax losses has not been recognised in the financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised.

27. PROVISIONS

	2017	2016
	HK$'000	HK$'000
Employee benefit liabilities for annual leave and time in lieu – current	9,657	10,321
Employee benefit liabilities for long service leave – current	12,255	11,495
Total current liabilities	21,912	21,816
Employee benefit liabilities for long service leave – non-current	1,469	1,336
Other provisions – leasehold dilapidations	10,172	6,143
Total non-current liabilities	11,641	7,479
	33,553	29,295

For long service leave in Australia, it covers all unconditional entitlements where employees have completed the required period of service and also where employees are entitled to pro-rata payments in certain circumstances. The amount is classified as current, since the Group does not have an unconditional right to defer settlement. Based on the past experience, the Group does not expect all employees to take the full amount of leave or require payment within 12 months. As at 31 December 2017, management estimates that approximately HK$6,498,000 (2016: HK$6,507,000) of the above employee entitlement provision will not be taken within 12 months.

Leasehold dilapidations relate to the estimated cost of returning the leasehold properties to its original state at the end of the lease in accordance with the lease terms. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

28. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	1,000,000,000	10,000
Issued and fully paid:		
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	770,000,000	7,700

29. SHARE-BASED EMPLOYEE COMPENSATION

Share option scheme of the Company

A share option scheme (the "Share Option Scheme") was adopted by the Group, pursuant to its resolution passed on 22 April 2013 and effective for a period of ten years commencing from the adoption date. The purpose of the Share Option Scheme is to reward participants who have contributed to the Group and to encourage participants to work towards enhancing the value of the Group and its shares for the benefit of the Company and its shareholders as a whole. The Directors may, at its discretion, offer to directors, employees of any member of the Group, any advisors and service providers of any member of the Group, options to subscribe for the shares in the Company at a price not less than the highest of: (i) the closing price of the shares of the Company on the SEHK on the date of offer of the option; (ii) the average of the closing prices of the shares on the SEHK for the five trading days immediately preceding the date of the grant of the options; and (iii) the nominal value of a share. A nominal consideration of HK$1 is payable on acceptance of the grant of an option irrespective of numbers of share options granted. The options vest on the condition that the grantee is a director or employee of any member of the Group or any advisor and service provider of any member of the Group from the date of options grant to the commencement date of the exercisable period of the options.

The options are exercisable at any time during the period to be determined and notified by the directors of the Company to the grantee at the time of making an offer in respect of any particular option which shall not expire later than 10 years from the date of grant.

The share-based employee compensation is to be settled by the issue of the ordinary shares of the Company. The Group has no legal or constructive obligation to repurchase or settle the options other than in the ordinary shares of the Company. During the year, there was no share option issued under the Share Option Scheme (2016: Nil).

At 31 December 2017, the Company had 70,000,000 share options (2016: 70,000,000 share options) available for issue under the Share Option Scheme, which represented approximately 9.1% (2016: 9.1%) of the Company's shares in issue at that date.

Share award scheme of the Company

A share award scheme (the "Share Award Scheme") was adopted by the Company on 30 December 2013. The purpose of the Share Award Scheme is to recognise and motivate the contribution of participants and to incentivise them to further the operation and development of the Group and to attract suitable personnel for the Group. A trust has been set up and fully funded by the Company for the purpose of purchasing, administrating and holding the Company's shares for the Share Award Scheme. The total number of shares which may be granted to the selected participant under the Share Award Scheme shall not exceed 10% of the total issued share capital (i.e. 77,000,000 shares) of the Company as at the adoption date. The maximum number of shares which may be awarded to a selected participant under the scheme shall not exceed 1% of the issued share capital (i.e. 7,700,000 shares) of the Company as at the adoption date. The Share Award Scheme shall be valid and effective for a term of ten years commencing from the adoption date.

During the year ended 31 December 2017 and 2016, no share award was granted. At 31 December 2017 and 2016, the Company had no awarded shares outstanding under the 1010 Share Award Scheme.

30. RESERVES

Group

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 35. Nature and purpose of the reserves is as follows:

(a) *Share premium*

The application of the share premium account is governed by Section 40 of Bermuda Companies Act 1981 (as amended).

(b) *Exchange reserve*

Exchange differences arising from the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong Dollars) are recognised directly in other comprehensive income and accumulated in the exchange reserve. The reserve is dealt with in accordance with the accounting policy of foreign currencies set out in Note 2.4.

(c) *Merger reserve*

This represented the difference between the par value of the shares of the Company issued in exchange for the entire share capital of 1010 Group Limited (formerly known as Lion Rock Group Limited) pursuant to the group reorganisation on 20 June 2011.

(d) *Contributed surplus*

The contributed surplus represents the difference between the costs of investment in subsidiaries acquired pursuant to the Group's reorganisation prior to the listing of the Company's shares over the nominal value of the Company's shares issued in exchange thereof.

The Company's reserves available for distribution comprise its contributed surplus and retained earnings.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(e) *Other reserve*

Other reserve represents the difference between the proportionate share of the carrying amount of its subsidiaries' net assets and the consideration paid for the additional interests when the Group acquired non-controlling interests.

30. RESERVES (Continued)

Group (Continued)

(f) Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the PRC subsidiary is required to appropriate 10% of its profit after tax, prepared in accordance with the accounting regulation in the PRC, to the statutory reserve fund until the statutory reserve balance reaches 50% of the registered capital. Such reserve may be used to reduce any losses incurred or to increase capital.

Company

Movements in the Company's reserves are as follows:

	Share premium	Contributed surplus	Proposed final and special dividend	Company Employee compensation reserve	Shares held under share award scheme	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1 January 2016	173,078	310,125	34,650	5,172	(4,489)	12,648	531,184
Purchase of shares under share award scheme	–	–	–	–	(1,005)	–	(1,005)
Shares vested under share award scheme	–	–	–	(5,172)	5,489	(1,187)	(870)
Profit for the year	–	–	–	–	–	55,590	55,590
2015 final dividend paid	–	–	(34,650)	–	–	–	(34,650)
2016 interim dividend paid	–	–	–	–	–	(19,250)	(19,250)
2016 proposed special dividend	–	–	11,550	–	–	(11,550)	–
2016 proposed final dividend	–	–	34,650	–	–	(34,650)	–
Balance as at 31 December 2016 and 1 January 2017	173,078	310,125	46,200	–	(5)	1,601	530,999
Profit for the year	–	–	–	–	–	76,969	76,969
2016 final dividend paid	–	–	(34,650)	–	–	–	(34,650)
2016 special dividend paid	–	–	(11,550)	–	–	–	(11,550)
2017 interim dividend paid	–	–	–	–	–	(23,100)	(23,100)
2017 proposed final dividend	–	–	50,050	–	–	(50,050)	–
Balance as at 31 December 2017	173,078	310,125	50,050	–	(5)	5,420	538,668

31. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2017	2016
		HK$'000	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries		314,876	313,876
Current assets			
Other receivables		689	689
Amounts due from subsidiaries		230,299	223,955
Tax recoverable		94	–
Cash and bank balances		694	659
		231,776	225,303
Current liabilities			
Other payables		284	350
Tax payables		–	130
		284	480
Net current assets		231,492	224,823
Net assets		546,368	538,699
EQUITY			
Share capital	28	7,700	7,700
Reserves	30	538,668	530,999
Total equity		546,368	538,699

On behalf of the Board

Yeung Ka Sing
Director

Lau Chuk Kin
Director

32. OPERATING LEASE COMMITMENTS

As lessee

As at 31 December 2017, total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	33,008	29,075
In the second to fifth years inclusive	73,829	74,649
After five years	1,293	8,020
	108,130	111,744

The Group leases a number of properties and production facilities under operating leases. The leases run for an initial period ranged from two to ten years (2016: two to ten years), with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

33. CAPITAL COMMITMENTS

	2017	2016
	HK$'000	HK$'000
Commitments for acquisition of property, plant and equipment	45,576	1,376

34. DISPOSAL OF SUBSIDIARIES

2017

In January 2017, the Group completed the disposal of its 61.88% interest in Ligare Limited at cash consideration of approximately HK$5 resulting in a loss on disposal of approximately HK$732,000. Ligare Limited is engaged in production and distribution of published content and its net assets as at the date of disposal are as follows:

	HK$'000	HK$'000
Property, plant and equipment (Note 15)	176	
Inventories	171	
Cash and cash equivalents	137	
Other payables	(309)	
		175
Release of exchange reserve		557
		732
Loss on disposal of subsidiaries included in profit or loss for the year		732
Total consideration satisfied by cash		–
Net cash outflow arising on disposal:		
Cash and cash equivalents disposed of		(137)

34. DISPOSAL OF SUBSIDIARIES (Continued)

2016

In August 2016, the Group completed the disposal of its 61.88% indirect interest in the Cactus Group at cash consideration of approximately HK$33,525,000 resulting in a gain on disposal of approximately HK$27,579,000. The Cactus Group is engaged in outdoor media printing and display business.

Net assets of the Cactus Group at the date of disposal were as follows:

	HK$'000	HK$'000
Property, plant and equipment (Note 15)	7,301	
Inventories	2,664	
Prepayments	66	
Deferred tax assets	2,017	
Accruals	(812)	
Finance lease liabilities	(194)	
Provisions	(5,226)	
		5,816
Transaction costs		130
Gain on disposal of subsidiaries included in profit or loss for the year (Note 7)		27,579
Total consideration satisfied by cash		33,525
Net cash inflow arising on disposal:		
Cash consideration		33,525

35. NON-CONTROLLING INTERESTS

(a) Material non-controlling interests

As at 31 December 2017, the Group's material non-controlling interests included (1) OPUS, a 75.61% (2016: 64.66%) owned subsidiary of the Company, and its subsidiaries (the "OPUS Group") and (2) Regent, a 75% (2016: Nil) owned subsidiary of the Company. Summarised financial information in relation to the non-controlling interests of the OPUS Group and Regent, before intra-group eliminations, is presented below:

	OPUS Group		Regent
	2017	2016	2017
	HK$'000	HK$'000	HK$'000
For the year ended 31 December/ From date of acquisition to 31 December			
Revenue	464,027	522,793	96,306
Profit for the year/period	33,557	63,863	9,095
Total comprehensive income	48,103	64,839	9,095
Profit allocated to non-controlling interests	9,506	24,375	2,274
Dividends paid to non-controlling interests	3,195	27,101	1,750
For the year ended 31 December/ From date of acquisition to 31 December			
Cash generated from operating activities	47,790	51,810	13,594
Cash generated from investing activities	(6,336)	63,272	869
Cash used in financing activities	8,694	(80,922)	(7,000)
Net cash inflows	50,148	34,160	7,463
At 31 December			
Current assets	258,819	202,932	60,282
Non-current assets	56,776	54,766	7,394
Current liabilities	(84,285)	(90,140)	(28,627)
Non-current liabilities	(15,371)	(9,540)	(1,601)
Net assets	215,939	158,018	37,448
Accumulated non-controlling interests	52,672	55,838	9,361

35. NON-CONTROLLING INTERESTS (Continued)

(b) Deemed acquisition of non-controlling interests

During the year, OPUS implemented several buybacks of its shares and these shares bought back were cancelled subsequently. As a result of these transactions, the shareholding in OPUS held by the Group was increased from 64.66% to 75.61% (incorporated the impact of the exercise of share options in OPUS as detailed in note (c) below) and the Group effectively acquired additional interests in OPUS from non-controlling shareholders. The difference between the proportionate share of the carrying amount of net assets and the consideration paid for the additional interests have been debited to other reserve.

The transactions have been accounted for as equity transactions with the non-controlling interests (excluding the effect of exercise of share options in OPUS as detailed in note (c) below) as follows:

	2017	2016
	HK$'000	HK$'000
Consideration paid for additional ownership interest	19,291	10,972
Net assets attributable to additional ownership interest	(14,515)	(8,614)
Decrease in equity attributable to owners of the Company (included in other reserve)	4,776	2,358

(c) Exercise of share options in OPUS

In May 2017, Bookbuilders BVI Limited, an indirect wholly owned subsidiary of the Company exercised the share options granted by OPUS on 3 November 2014 to acquire 20,000,000 ordinary shares in OPUS at AU$0.35 per share. As a result of the transaction, the shareholding in OPUS held by the Group was increased from 68.82% to 74.67%. The increase in proportionate share of the carrying amount of net assets of HK$1,489,000 by the Group has been debited to other reserve.

	HK$'000
Consideration paid for additional 5.85% ownership interest	39,807
Net assets attributable to additional 5.85% ownership interest	(38,318)
Decrease in equity attributable to owners of the Company (included in other reserve)	1,489

(d) Acquisition of non-controlling interests

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

The transactions had been accounted for as equity transactions with the non-controlling interests as follows:

	COS
	HK$'000
Consideration paid for 38.12% ownership interest	24,340
Net assets attributable to 38.12% ownership interest	(14,791)
Decrease in equity attributable to owners of the Company (included in other reserve)	9,549

36. BUSINESS COMBINATION AND GRANTING OF OPTIONS

On 23 March 2017, Magic Omen Limited ("Magic Omen"), an indirect wholly-owned subsidiary of the Company entered into the share transfer agreement with independent third party to acquire 75% of the entire issued share capital of Regent Publishing Services Limited ("Regent") at a consideration of US$4,500,000 plus HK$19,500,000 (equivalent to HK$54,253,000). Regent is engaged in provision of services for book, magazine and non-book publishers. The acquisition (the "Acquisition") was completed on 31 March 2017 and has been accounted for using acquisition method.

Details of net assets acquired were as follows:

	HK$'000
Purchase consideration – cash paid	54,253
Fair value of net assets acquired (see below)	(26,512)
Goodwill (Note 16)	27,741
Purchase consideration settled in cash	(54,253)
Cash and cash equivalents acquired	26,002
Cash outflow on acquisition of subsidiaries	(28,251)

Assets and liabilities arising from this acquisition were as follows:

	HK$'000
Property, plant and equipment	344
Intangible assets – customers relationships	9,700
Other receivables	904
Cash and bank balances	26,002
Deferred tax liabilities	(1,601)
Net assets	35,349
Non-controlling interests (25%)	(8,837)
Net assets acquired	26,512

Goodwill of HK$27,741,000, which is not tax deductible, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

The Group has elected to measure non-controlling interests in the Acquisition at proportionate share of the acquiree's identifiable net assets.

The fair value of other receivables at the date of acquisition amounted to HK$904,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Since the acquisition date, Regent has contributed HK$96,306,000 and HK$9,095,000 to the Group's revenue and profit. If the Acquisition had occurred on 1 January 2017, the Group's revenue and profit after income tax would have been HK$1,603,151,000 and HK$158,650,000 respectively for the year ended 31 December 2017. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future performance.

36. BUSINESS COMBINATION AND GRANTING OF OPTIONS (Continued)

The transaction costs of HK$54,000 have been expensed and are included in administrative expenses.

On the same date of the share transfer agreement, Magic Omen entered into an option agreement ("Option Agreement") with Yau Wa Holdings Limited ("Yau Wa"), the 25% non-controlling shareholder of Regent and Mr. Tai Tin Yau, the managing director of Regent. Pursuant to the Option Agreement and conditional upon the completion of the Acquisition. Yau Wa has been granted a put option ("Put Option") and call options ("Call Options") to sell and purchase the shares in Regent. The exercise price of the Put Option and Call Options are based on the net assets value and net profit after tax of Regent at certain time at the formula as set in the Option Agreement. The details of Option Agreement can be referred to the Company's announcement dated 24 March 2017.

Put Option:

At initial recognition, a put option liability of HK$13,906,000 is recognised as a financial liability in the consolidated financial statements, which represents the present value of the expected redemption amount of the Put Option with the corresponding debit to put option reserve in equity. This financial liabilities arising from the Put Option is classified as non-current liabilities as Yau Wa and Mr. Tai can exercise the Put Option at the 4th anniversary of the date of the Put Option agreement (i.e. March 2021). The movement of the financial liabilities arising from the Put Option during the year is as follows:

	HK$'000
Initial recognition	13,906
Imputed interests (Note 8)	292
At 31 December 2017	14,198

Call Options:

The fair value of the Call Options of HK$407,000 is recognised as employee compensation expense at the date of grant with the corresponding credit to employee compensation reserve in equity.

37. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. In addition to those balances and transactions disclosed elsewhere, details of other significant transactions between the Group and other related parties during the year are disclosed as follows:

Compensation of key management personnel

The key management personnel of the Group are the Directors. The remuneration of the key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends. Details of the remuneration paid to them are set out in Note 10(a) to the financial statements.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of company	Date of incorporation/ establishment	Place/Country of incorporation/ establishment and kind of legal entity	Class of shares	Issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company ^	Principal activities and place of operations
1010 Group Limited (formerly known as Lion Rock Group Limited 獅子山集團有限公司)	10 January 2005	Hong Kong, limited liability company	Ordinary	HK$177,000,000	100%	Investment holding, Hong Kong
1010 Printing International Limited 匯星印刷國際有限公司	10 January 2005	Hong Kong, limited liability company	Ordinary	HK$1	100%	Printing, Hong Kong
1010 Printing Asia Limited	3 April 2007	Hong Kong, limited liability company	Ordinary	HK$1	100%	Printing, Hong Kong
1010 Printing (UK) Limited	2 January 2007	United Kingdom, limited liability company	Ordinary	British Pound 1,000	100%	Printing services, United Kingdom
Anson Worldwide Limited	8 November 2002	British Virgin Islands ("BVI"), limited liability company	Ordinary	United States Dollars ("US$")1	100%	Investment holding, Hong Kong
1010 Printing (Australia) Pty Limited	10 October 2008	Australia, limited liability company	Ordinary	AUD$2	100%	Provision of printing agency, Australia
1010 Printing Limited 匯星印刷有限公司	5 February 2010	Hong Kong, limited liability company	Ordinary	HK$1,000,000 (2016: HK$1)	100%	Printing, Hong Kong
Naturbest Investments Limited	15 August 2006	BVI, limited liability company	Ordinary	US$1	100%	Investment holding, Hong Kong
O.G. Printing Productions Limited 海濤製作有限公司	11 August 1989	Hong Kong, limited liability company	Ordinary	HK$500,000	100%	Provision of graphic design, Hong Kong
Oceanic Graphic International Inc.	12 August 2011	USA, limited liability company	Ordinary	US$100,000	100%	Printing, USA
惠州市滙星印刷有限公司	28 January 2011	PRC, sino-foreign equity enterprise	N/A	RMB150,000,000 (registered capital)	100%	Production and distribution of books and publications, PRC
Investor Vantage Limited	12 November 2012	BVI, limited liability company	Ordinary	US$1	100%	Investment holding, Hong Kong
Asia Pacific Offset Limited	15 December 1978	Hong Kong, limited liability company	Ordinary	HK$3,273,369	100%	Provision of printing services, Hong Kong
OPUS Group Limited	7 June 1983	Australia, limited liability company	Ordinary	AUD$14,491,000 (2016: AUD$6,036,000)	75.61% (2016: 64.66%) Note 35(b)	Investment holding

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Date of incorporation/ establishment	Place/Country of incorporation/ establishment and kind of legal entity	Class of shares	Issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company ^	Principal activities and place of operations
CanPrint Communications Pty Limited	4 September 1997	Australia, limited liability company	Ordinary	AUD$17,333	75.61% (2016: 64.66%) Note 35(b)	Production and distribution of published content
Ligare Pty Limited	17 September 1979	Australia, limited liability company	Ordinary	AUD$4	75.61% (2016: 64.66%) Note 35(b)	Production and distribution of published content
McPherson's Printing Pty Limited	1 November 1971	Australia, limited liability company	Ordinary	AUD$10,000	75.61% (2016: 64.66%) Note 35(b)	Production and distribution of published content
C.O.S. Printers Pte Limited	19 July 1980	Singapore, limited liability company	Ordinary	Singapore Dollars 6,000,000	100%	Production and distribution of published content
Asia Pacific Offset Group Limited	2 July 2008	Hong Kong, limited liability company	Ordinary	HK$1,000	100%	Provision of printing services, Hong Kong
Bookbuilders BVI Limited	25 May 1993	BVI, limited liability company	Ordinary	US$10,000	100%	Investment holding, Hong Kong
Regent Publishing Services Limited	23 October 1985	Hong Kong, limited liability company	Ordinary	HK$10,000	75% (2016: Nil) Note 36	Provision of printing services, Hong Kong

Except 1010 Group Limited, all subsidiaries are indirectly held by the Company.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the particulars of the subsidiaries which materially affect the results or assets of the Group.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

39. NOTES SUPPORTING STATEMENT OF CASH FLOWS

During the year, the Group entered into finance ease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$1,380,000 (2016: Nil).

Reconciliation of liabilities arising from financial activities:

	Bank borrowings (Note 24) HK$'000	Finance lease liabilities (Note 25) HK$'000
At 1 January 2017	94,766	669
Changes from cash flows:		
Proceeds from new bank loans	15,490	–
Repayment of bank loans	(40,891)	–
Interest paid	(2,378)	–
Finance lease raised	–	1,380
Capital element of finance lease liabilities paid	–	(561)
Interest element of finance lease liabilities paid	–	(90)
Total changes from financing cash flows	(27,779)	729
Other changes:		
Exchange difference	–	45
Interest expenses	2,378	90
At 31 December 2017	69,365	1,533

40. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial instrument risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance by closely monitoring the individual exposure.

The Group does not have written risk management policies and guidelines. However, the Directors meet periodically to analyse and formulate strategies to manage the Group's exposure to a variety of risks which resulted from its operating and investing activities. Generally, the Group employs conservative strategies regarding its risk management to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out as follows:

40. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations. The Group's financial assets are summarised in Note 41 below.

The Directors consider the Group does not have a significant concentration of credit risk. The top 5 customers accounted for approximately 25% (2016: 25%) of total sales during the year. In this regard, the Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

The Group also continuously evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit terms are extended to customers based on the evaluation of individual customer's financial conditions. In addition, the Group reviews the recoverable amount of each individual trade debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 20 to the financial statements.

The Group has deposited its cash with various banks. The credit risk on cash and bank balances is limited because most of the Group's bank deposits are deposited with major reputable banks located in Hong Kong, the PRC and Australia.

(b) Currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Most of the sales transactions of the Group are denominated in US$, AUD$, British Pounds ("GBP") and Euros ("EUR") and there are expenses and capital expenditures denominated in US$, RMB and HK$. Certain trade receivables and trade payables of the Group are denominated in foreign currencies, mainly US$, AUD$, GBP, RMB and EUR.

To mitigate the impact of exchange rate fluctuations, the Group continuously assesses and monitors the exposure to foreign currency risk. During the year, management of the Group had used foreign currency forward contracts to hedge the exposure to foreign exchange risk when the need arises.

40. FINANCIAL RISK MANAGEMENT (Continued)

(b) Currency risk (Continued)

Foreign currencies denominated financial assets and liabilities are as follows:

2017

	US$'000	RMB'000	AUD$'000	GBP'000	EUR'000
Trade and other receivables	37,558	24	4,234	513	301
Cash and bank balances	21,788	846	3,635	814	991
Trade and other payables	(3,253)	(467)	(160)	(3)	(14)
	56,093	403	7,709	1,324	1,278
Notional amounts of forward foreign exchange contracts	9,665	–	(6,000)	(500)	(4,000)
	65,758	403	1,709	824	(2,722)

2016

	US$'000	RMB'000	AUD$'000	GBP'000	EUR'000
Trade and other receivables	30,194	21	4,372	391	320
Cash and bank balances	36,437	2,515	1,203	610	1,693
Trade and other payables	(3,529)	(359)	(54)	–	(39)
	63,102	2,177	5,521	1,001	1,974
Notional amounts of forward foreign exchange contracts	10,112	–	(5,000)	(2,500)	(3,000)
	73,214	2,177	521	(1,499)	(1,026)

The following table illustrates the sensitivity of the net results for the year and retained earnings in regards to the Group's financial assets and liabilities at the reporting date and the reasonably possible changes in the foreign exchange rates in the next 12 months to which the Group has significant exposure at the reporting date, based on the assumption that other variables are held constant. Changes in foreign exchange rates have no impact on the Group's other components of equity.

	2017		2016	
	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained earnings	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained earnings
		HK$'000		HK$'000
RMB	4.4%	21	1.7%	42
	(4.4%)	(21)	(1.7%)	(42)
AUD$	5.2%	524	5.8%	169
	(5.2%)	(524)	(5.8%)	(169)
GBP	8.2%	701	13.4%	(1,924)
	(8.2%)	(701)	(13.4%)	1,924
EUR	14.4%	(3,587)	3.6%	(296)
	(14.4%)	3,587	(3.6%)	296

40. FINANCIAL RISK MANAGEMENT (Continued)

(b) Currency risk (Continued)

As HK$ is pegged to US$, management of the Company does not expect that the change in US$/HK$ will have significant impact on the consolidated financial statements.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

(c) Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amounts with floating interest rates except for deposits held in banks, certain bank borrowings and finance lease contracts. Cash at bank earns interest at floating rates based on the daily bank deposits rates during the year. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense. The terms of repayment of bank borrowings are set out in Notes 24.

During the year, management did not consider it necessary to use interest rate swaps to hedge their exposure to interest rate risk as the interest rate risk exposure is not significant.

(d) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements, its compliance with lending covenants and its relationships with its bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term. The Group has net current assets of HK$680,121,000 (2016: HK$633,127,000) and net assets of HK$1,048,822,000 (2016: HK$945,739,000) as at 31 December 2017. In the opinion of the Directors, the Group's exposure to liquidity risk is limited.

The following table details the remaining contractual maturities at each of the reporting dates of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on current rates at the reporting date) and the earliest date the Group may be required to pay.

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

40. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk (Continued)

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2017				
Non-derivative financial liabilities				
Trade and other payables	255,692	255,692	255,692	–
Financial liabilities arising from put option	14,198	15,464	–	15,464
Bank borrowings	69,365	69,365	69,365	–
Finance lease liabilities	1,533	1,745	424	1,321
	340,788	342,266	325,481	16,785
As at 31 December 2016				
Non-derivative financial liabilities				
Trade and other payables	223,663	223,663	223,663	–
Bank borrowings	94,766	94,766	94,766	–
Finance lease liabilities	669	774	201	573
	319,098	319,203	318,630	573

The table that follows summarises the maturity analysis of those term loans with repayment on demand clause based on the agreed scheduled repayments set out in the loan agreements. The amounts included interest payments computed using contractual rates. As a result, these amounts are greater than the amounts disclosed in the "on demand" time band in the above maturity analysis. Taking into account the Group's financial position, the Directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment, the Directors believe that such term loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000
Term loans subject to repayment on demand clause based on scheduled repayments:				
31 December 2017	69,365	72,268	30,156	42,112
31 December 2016	94,766	99,756	27,748	72,008

40. FINANCIAL RISK MANAGEMENT (Continued)

(e) Fair values

The Directors consider the fair values of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments. The fair values of non-current financial assets and liabilities were not disclosed because these are not materially different from their carrying amounts.

41. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities:

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Non-current assets				
Available-for-sale financial assets	47,835	47,835	–	–
Current assets				
Financial assets at fair value through profit or loss				
– Held for trading	–	–	5,472	5,472
Loans and receivables:				
– Trade and other receivables and deposits	469,780	469,780	420,358	420,358
– Cash and bank balances	424,217	424,217	461,155	461,155
	941,832	941,832	886,985	886,985
Financial liabilities				
Current liabilities				
Financial liabilities at fair value through profit or loss				
– Held for trading	3,810	3,810	–	–
Financial liabilities measured at amortised cost:				
– Trade and other payables	255,692	255,692	223,663	223,663
– Bank borrowings	69,365	69,365	94,766	94,766
– Finance lease liabilities	337	337	162	162
Non-current liabilities				
Financial liabilities measured at amortised cost:				
– Financial liabilities arising from put option	14,198	14,198	–	–
– Finance lease liabilities	1,196	1,196	507	507
	344,598	344,598	319,098	319,098

41. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (Continued)

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and bank balances, trade and other receivables and deposits, trade and other payables, bank borrowings and finance lease liabilities.

Due to their short term nature, the carrying value of cash and bank balances, trade and other receivables and deposits, trade and other payables, bank borrowings and finance lease liabilities approximates fair value.

(b) Financial instruments measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

Information about level 2 fair value measurements

The fair value of forward exchange contracts is determined based on the forward exchange rate at the reporting date.

There were no changes in valuation techniques during the year.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

41. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (Continued)

(b) Financial instruments measured at fair value (Continued)

	2017			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale financial assets				
Equity securities listed in United Kingdom at fair value	47,835	–	–	47,835
Net fair values	47,835	–	–	47,835
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	–	3,810	–	3,810
Net fair values	–	3,810	–	3,810

	2016			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	–	5,472	–	5,472
Net fair values	–	5,472	–	5,472

There were no transfers between levels during the year.

42. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth; and
- To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group has not adopted any formal dividend policy.

Management regards total equity as capital, for capital management purpose. The amount of capital as at 31 December 2017 amounted to approximately HK$1,048,822,000 (2016: HK$945,739,000), which management considers as satisfactory having considered the projected capital expenditures and the projected strategic investment opportunities.

The Group's overall strategy in capital management remains unchanged during the year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated upon the adoption of the new or amended HKFRSs as appropriate, is set out below:

FINANCIAL RESULTS

	Financial year ended 31 December				
	2013	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue and turnover	1,163,542	1,316,216	1,754,640	1,615,831	1,582,725
Profit before income tax	146,943	177,287	202,715	212,000	198,520
Income tax expense	(25,522)	(27,177)	(13,800)	(41,479)	(39,072)
Profit for the year	121,421	150,110	188,915	170,521	159,448
Attributable to:					
Owners of the Company	121,466	146,446	163,241	146,146	147,668
Non-controlling interests	(45)	3,664	25,674	24,375	11,780
Profit for the year	121,421	150,110	188,915	170,521	159,448

	As at 31 December				
	2013	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	908,334	1,245,520	1,305,014	1,305,357	1,434,838
Total liabilities	(246,861)	(452,625)	(430,163)	(359,618)	(386,016)
Total equity	661,473	792,895	874,851	945,739	1,048,822

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Lau Chuk Kin
Mr. Lam Wing Yip
Ms. Lam Mei Lan
Mr. Chu Chun Wan

Non-Executive Directors
Mr. Li Hoi, David
Guo Junsheng

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

COMPANY SECRETARY
Ms. Tan Lai Ming *FCPA, FCCA*

COMPLIANCE OFFICER
Mr. Lau Chuk Kin

AUTHORISED REPRESENTATIVES
Ms. Lam Mei Lan
Ms. Tan Lai Ming

BERMUDA RESIDENT REPRESENTATIVE
Codan Services Limited

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

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

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

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