2019

HUNG HING

Stock code 股份代碼 : 0450

ANNUAL REPORT

年度報告

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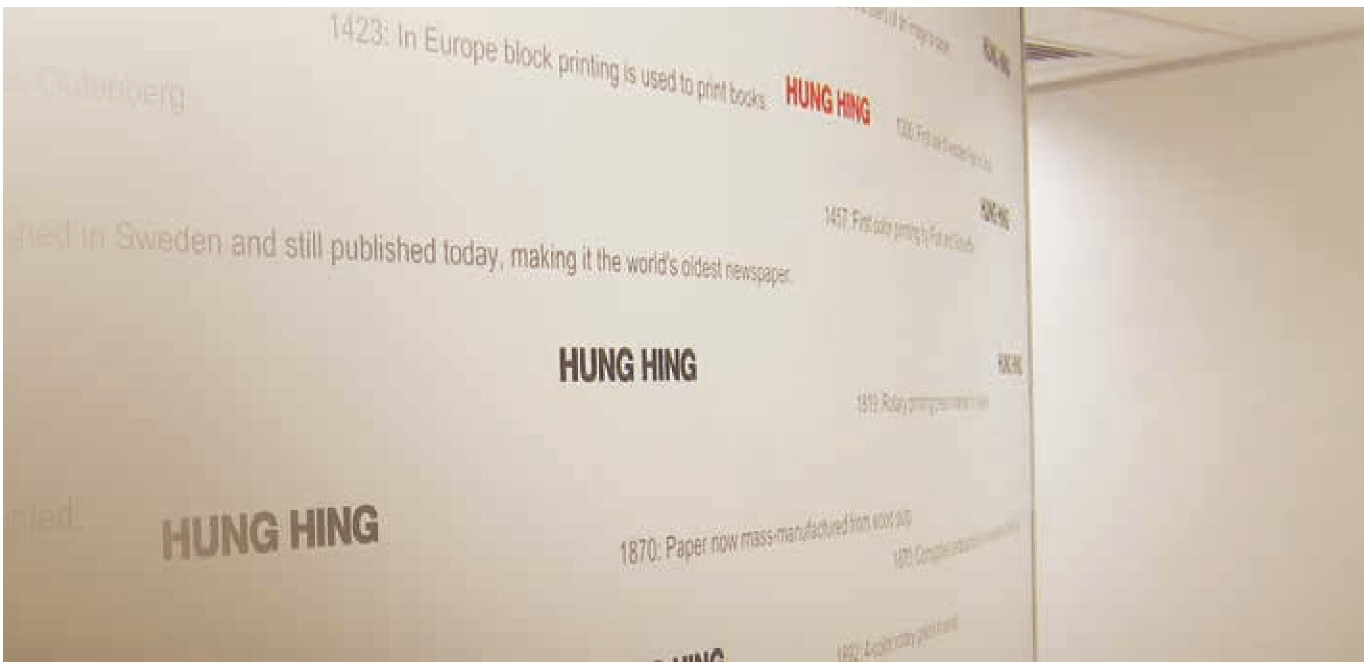
Corporate Profile

The Hung Hing Printing Group, listed on the Hong Kong Stock Exchange, is a major global player in book and package printing, consumer product packaging production, corrugated box manufacturing, paper trading, and design innovation in these areas.



With a 70-year history of producing tailor-made printing solutions for clients around the world, Hung Hing has a heritage of excellence built on a foundation of craftsmanship and innovation.

Headquartered at the Tai Po Industrial Estate in Hong Kong, we have seven manufacturing facilities, including one in Hong Kong, five in China (Shenzhen, Zhongshan, Heshan and Foshan in the Guangdong province and Wuxi, near Shanghai) and one in Hanoi, Vietnam. The Group's total production floor space around 600,000 square meters, with a workforce of around 7,100 in Hong Kong, China and Vietnam.

All the company's activities focus on pursuing three major goals: to maintain operational excellence, add value, and achieve success for all stakeholders. Its clients include leading local and multinational corporations around the world. Through its design hub Beluga and investments in new development opportunities, the Group is also pioneering new capabilities including digital+print products to help drive innovation.

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

Corporate Information

Executive Directors

Yum Chak Ming, Matthew, Executive Chairman
Sung Chee Keung

Non-Executive Directors

Masashi Nakashima
Hirofumi Hori
Yoshihisa Suzuki
Yam Hon Ming, Tommy

Independent Non-Executive Directors

Lo Chi Hong
Luk Koon Hoo
Yap, Alfred Donald

Company Secretary

Shek Kwok Man

Legal Advisor

Fangda Partners

Registered Office

Hung Hing Printing Centre
17–19 Dai Hei Street
Tai Po Industrial Estate
New Territories, Hong Kong
Tel: (852) 2664 8682
Fax: (852) 2664 2070
E-mail: info@hunghingprinting.com

Principal Bankers

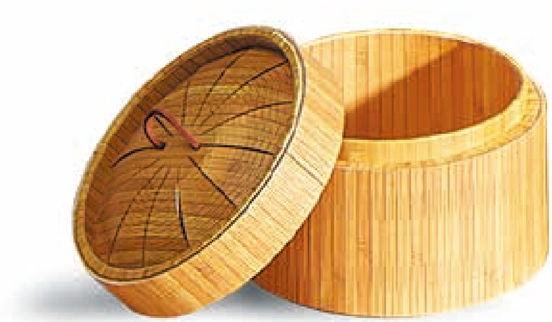
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
MUFG Bank, Ltd.
BNP Paribas

Auditor

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

Share Registrar

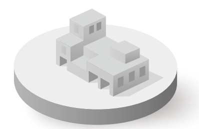
Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong



Facilities

Hong Kong | Established 1950

- Relocated to Tai Po Industrial Estate in 1989.
- Corporate headquarters.
- 2 production lines for conventional books printing, suitable for printing of sensitive materials.
- 340 full time staff/ workers.

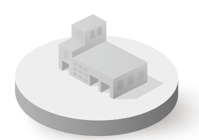


Shenzhen | Established 1994

- Printing and manufacturing of folding cartons, children's book, conventional books, litho lam and corrugated containers.
- Awarded ISO9001; ISO 14001 and ICTI-ETP certifications.
- 2,800-5,000 full time workers of which 1,400-3,400 hand assembled related.

Heshan | Established 2007

- Established in 2007 for printing children's and conventional books.
- Awarded ISO9001; ISO 14001; ICTI-ETP certifications.
- 2,200-4,000 full time workers of which 1,400-3,000 hand assembled related.



Shunde, Foshan | Acquired 2018

- Printing and manufacturing of folding cartons, litho lam and corrugated containers.
- A strong market position in the production of corrugated cases.
- Multi-location network strategy to achieve growth.
- 260 full time workers.

Zhongshan | Established 1994

- Printing and manufacturing of folding cartons, litho lam and corrugated containers.
- Awarded ISO9001; ISO 14001 & BRC/IOP certifications.
- 890 full time workers.

Wuxi | Established 2003

- Printing and manufacturing of folding cartons, litho lam and corrugated containers.
- Awarded ISO9001; ISO 14001 & BRC/IOP certifications.
- 500-800 full time workers of which 200-450 hand assembled related.

Vietnam | Established 2019

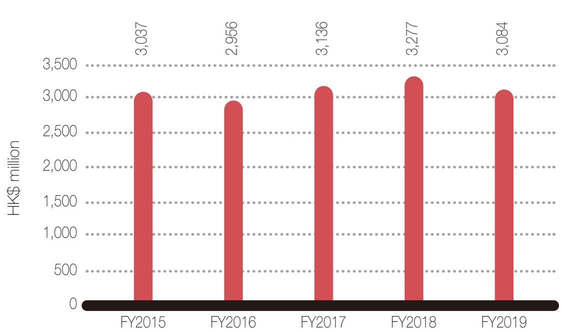
- Land area 35,000 sq. Meters.
- Factory + office 18,900 sq. Meters.
- Vietnam operation started in Q4 2019.

Financial Highlights

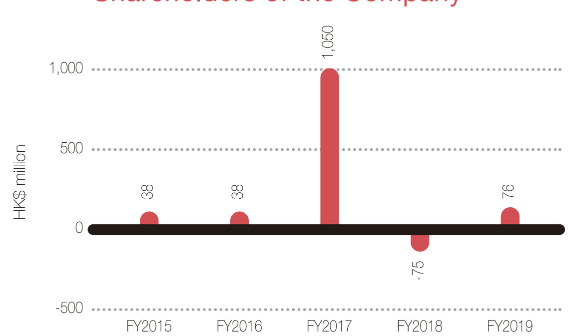
	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000
Revenue	**3,083,904**	3,276,800
Profit/(Loss) for the Year	**68,283**	(72,144)
Profit/(Loss) Attributable to Equity Shareholders of the Company	**75,753**	(74,518)
Basic Earnings/(Loss) per Share (HK cents)	**8.4**	(8.3)
Dividends per Share (HK cents)		
Interim Dividend	**3**	3
Final Dividend	**3**	3
Special Dividend	**4**	4
	10	10

	At 31 December 2019 HK$'000	At 31 December 2018 HK$'000
Property, Plant and Equipment	**1,286,188**	1,250,029
Net Current Assets	**1,957,669**	2,085,991
Total Assets	**3,921,676**	4,066,243
Equity Attributable to Equity Shareholders of the Company	**3,177,781**	3,244,396

Revenue



Profit/(Loss) Attributable to Equity Shareholders of the Company



Chairman's Statement

"

Building on the foundation we have
established over seventy years,
we remain committed to contributing to
the success of our stakeholders
thanks to our focus on innovation,
resilience, ethics, and value creation.

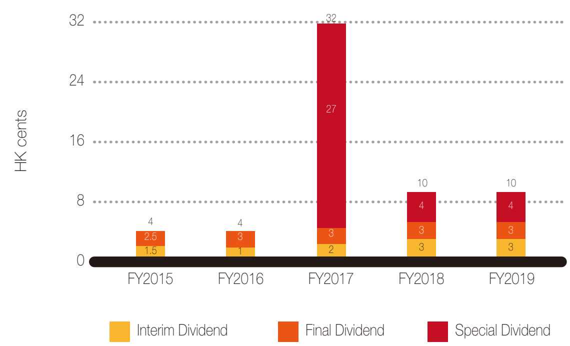
"

Yum Chak Ming, Matthew
Executive Chairman

Full Year Results and Dividends

During the year under review, the Group delivered a profit of approximately HK$68 million as compared to a net loss of HK$72 million last year, driven mainly by improved gross profit margins. Soft market conditions led to a moderate 6% decline in revenue to reach HK$3.08 billion. Basic earnings per share was improved significantly to HK8.4 cents, compared to a loss per share of HK8.3 cents in 2018.

Dividend Per Share



To mark the Hung Hing Printing Group's 70th anniversary in 2020 and in view of our strong cash and financial positions, the Board of Directors has recommended a special dividend of HK4 cents per share and a final dividend of HK3 cents per share, payable on 16 June 2020 to shareholders whose names appeared on the Register of Members of the Company as of 4 June 2020. Including the interim dividend of HK3 cents per share, total dividend for the year stands at HK10 cents per share (2018: HK10 cents per share including a special dividend of HK4 cents). The Board believes that the special dividend may help shareholders make meaningful contributions to support our communities, especially with regard to combating the coronavirus outbreak.

Focussed on our strategic priorities

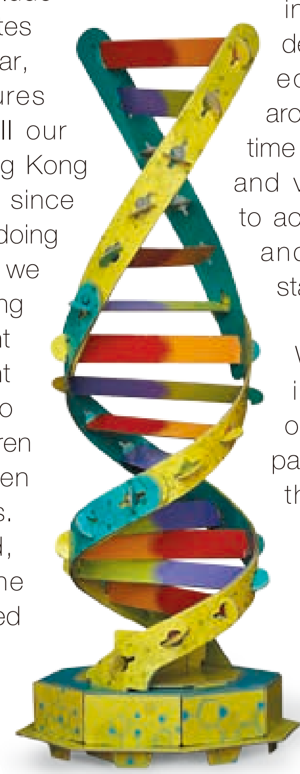
The year saw us complete our state-of-the-art 35,000 sq.m. manufacturing facility in Hanoi, Vietnam. This, supplemented by our expansion of the Heshan plant, augments our production capacity and diversifies our manufacturing base, allowing us to become a more agile partner and better handle customer requirements.

Our design hub Beluga continued to spearhead our strategy to innovate through technology, bringing to market new print+digital products. Our recent investments in new technologies and digital platforms allow us to expand our skill set, get closer to the end consumer and provide innovative solutions that combine manufacturing and digital technologies. I am proud that our 'Smart Planning' business solution not only delivered operating efficiencies but also won gold at the Hong Kong ICT (Information and Communications Technology) Awards 2019.

Sustainability is also central to our ethos, and we make conscious decisions about how we run our business in the most environmentally friendly manner possible. These include seeking out sustainable and responsibly sourced paper alternatives and minimising our carbon footprint in all aspects of our operations. We are working with partners to explore recyclable packaging to address growing customer demand in this area. Our initiatives in this regard are detailed in our environmental, social and governance report.

Outlook

The first quarter of 2020 witnessed the coronavirus outbreak leading to a temporary interruption in the supply chain across China. Our focus is to fulfill our commitments to all our stakeholders by managing our delivery schedule optimally for customers while complying with all government directives and instituting measures to ensure the safety of our employees. These include postponement of the re-opening dates of our plants after Chinese New Year, and conducting sanitising measures at factories and living spaces. All our production plants in China and Hong Kong have gradually resumed operations since the middle of February. We are also doing what we can to help the community we operate in through donations, including 20 tonnes of ethanol, a key ingredient in sanitisers, to the local government in Heshan, and children's books to an NGO in Hong Kong to keep children at home productively occupied when schools are closed due to coronavirus. In addition, we have also offered, on a one-off basis, to sponsor the packaging of face masks manufactured by a Hong Kong startup.



2020 marks seventy years of passion and innovation for Hung Hing. These decades have seen extensive social, economic and political change around the world, but throughout this time our principles of resilience, ethics, and value addition have enabled us to achieve sustained business results and support the success of our stakeholders.

We continue to focus our vision into the future, where we see ourselves as a long-term strategic partner to global customers, leading the world in printing and paper product innovation beyond manufacturing.

Our strong cash position of HK$965 million allows us to provide stable returns to shareholders, while giving us the flexibility to seek opportunities to continue to transform our businesses.

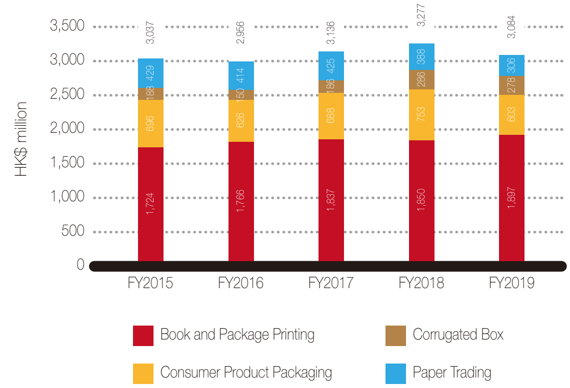
In closing, I thank our Board, management and every one of our dedicated employees who together are the driving force behind all our activities and achievements.

Management Discussion and Analysis

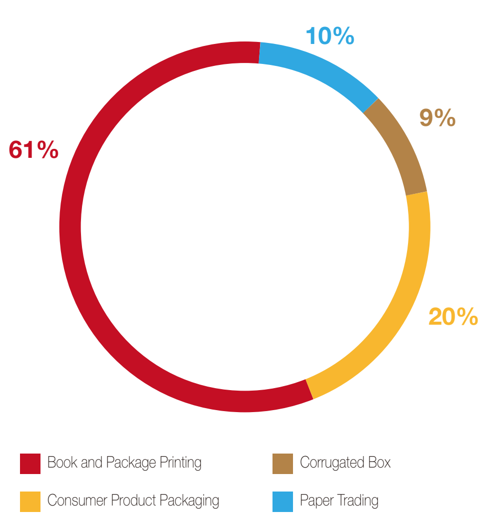
In 2019, the Hung Hing Printing Group improved its competitive position and overcame global social and geopolitical challenges, such as the impact brought by the US-China trade dispute and Brexit negotiation, to post a moderate decline of 6% in revenue to HK$3.08 billion.

Operating costs were optimised through prudent inventory strategies and effective control of labour cost via increased automation and enhanced workflow design. We continued to transform our business model and rationalise our order portfolio for value enhancement, achieving a 5.8 point improvement in gross profit margin to 17.0%. Net profit was HK$68 million in 2019 compared to the net loss of HK$72 million last year which saw unprecedented adverse movements in exchange rates and irrational paper price adjustments.

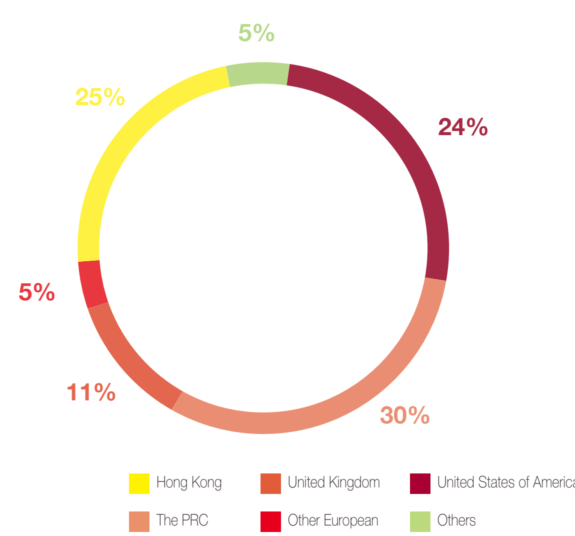
Revenue by Business Unit



Revenue by Business Unit in Year 2019



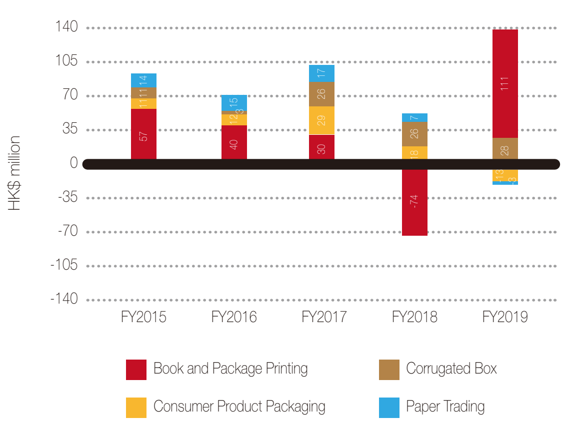
Revenue by Region in Year 2019



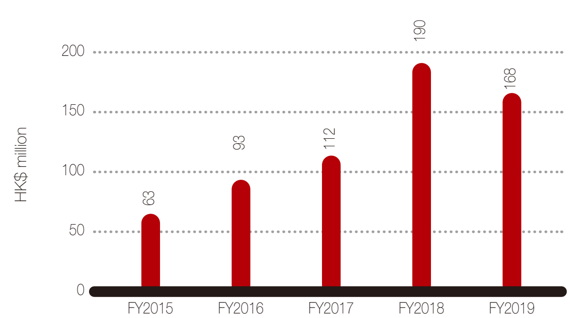
The acquisition of Guangdong Lianhe Packaging Co.,Ltd ("Guangdong Lianhe Packaging") in the middle of 2018, and the green-field establishment of our manufacturing facility HH Dream Printing Co., Ltd ("HH Dream") in Vietnam in 2019 strengthened the Group's market position. Operating and administrative expenses increased when compared to 2018, mainly due to the full-year effect of Guangdong Lianhe Packaging and the set-up of HH Dream. The two strategic investments will yield versatility, geographic diversity and increased capacity for the Group over the long term.

With a significant share of export businesses in our portfolio, managing foreign exchange exposure is a key priority for us. Operating a strong network of manufacturing facilities in China, the Group also needs to satisfy hefty funding requirements in Renminbi (RMB). An action plan was deployed during the year to revitalise year-round RMB cash-flow needs and secure RMB16 million in tax incentives related to the capital injection requirement of RMB300 million. All these initiatives bore fruit in 2019, and we managed to minimise the exposure of our RMB cash holding by 16% compared to a year ago amidst continued depreciation pressure of RMB in both 2018 (-4.8%) and 2019 (-2.2%). Exchange losses in 2019 reduced to HK$17 million (vs. losses of HK$49 million in 2018), primarily due to revaluation of RMB current assets on-hand with no real cash-flow impact.

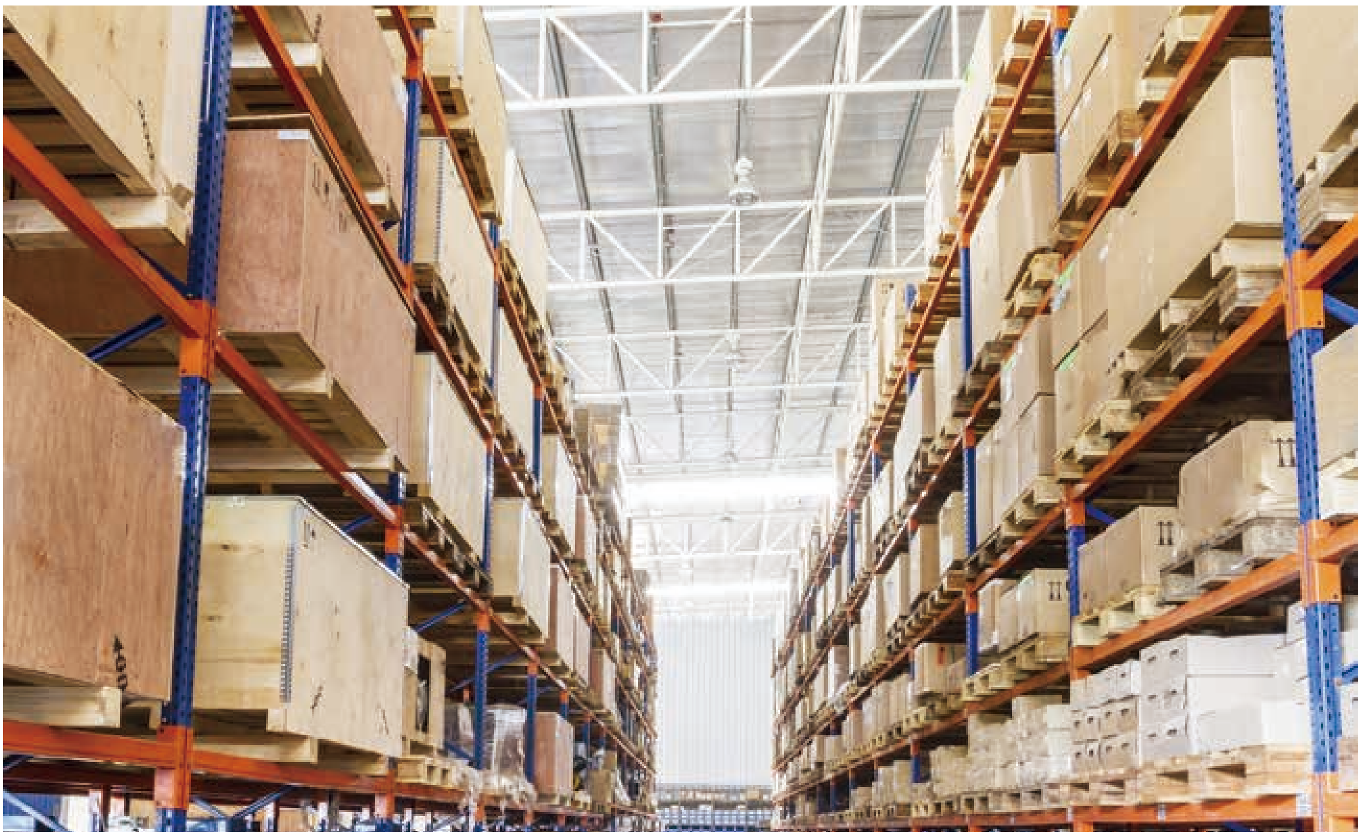
Profit / (Loss) Contribution by Business Unit



Capital Expenditure



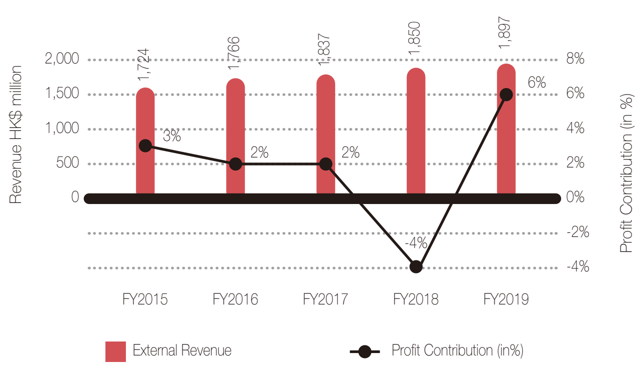
Business Unit Report



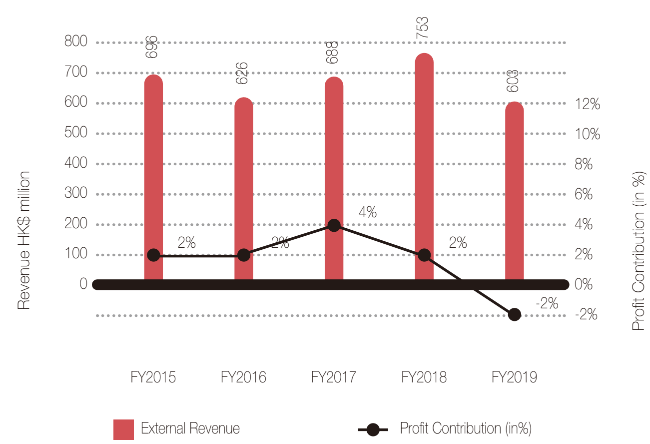
Our new 35,000 sq.m. manufacturing facility in Hanoi has augmented our capabilities and diversified our manufacturing base, giving us greater agility to fulfil customer requests and demand from our business partners.

Book and package printing (BPP), the largest Group business, reported sales growth and increased margins due to strong fundamentals and operational efficiencies. With the addition of manufacturing facility in

BPP
Revenue & Profit/(Loss) Contribution (in %)



CPP
Revenue & (Loss)/Profit Contribution (in %)



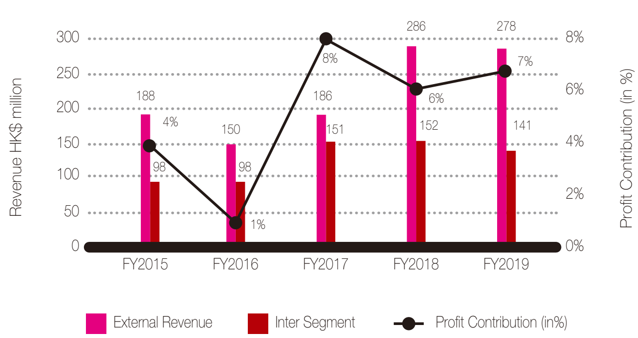
Hanoi, BPP will be even better positioned with increased capacity to serve better customer needs, both domestically in Vietnam and worldwide. BPP is committed to working closely and creatively with customers to overcome challenges and adversities by offering tailor-made solutions, and at the same time strengthening mutual trust and relationships.

The consumer product packaging (CPP) business continued to focus on serving the domestic market in mainland China, especially in the area of premium packaging solutions. Weaker demand conditions as a result of a softer economy exerted pressure on business momentum and affected margins during the year. Despite unfavourable economic indicators in the short term, the CPP business unit remains confident due to its strong prospects and a unique competitive edge that enable it to address a steadily growing affluent middle-class in mainland China, through its solid and enduring partnerships with popular brands.

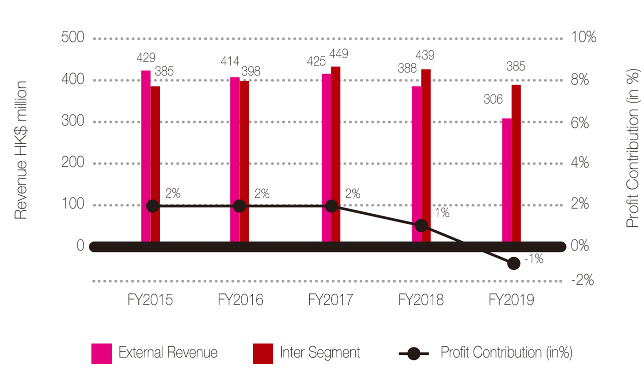
This year marks the first time that we have incorporated the full-year results from our June 2018 acquisition of Guangdong Lianhe Packaging into the corrugated box (CB) business. The CB business unit achieved relatively stable revenues and improved contribution margins by 8.5% to HK$28.2 million. Our strategy of expanding our supply network to satisfy customer needs more cost effectively enabled the CB business to overcome difficulties experienced by all within the manufacturing sector in the year.

The paper trading (PT) business unit is one of the largest paper trading operators in Asia (ex-Japan). It also serves as a strategic paper supply partner for the Group's other business units. Revenues and margins suffered from a deterioration of market conditions and prolonged softening of demand amid abrupt paper price movements.

CB
Revenue & Profit Contribution (in %)



PT
Revenue & (Loss)/Profit Contribution (in %)



Strong Financial Position: Net Cash holding HK$965 Million

The Group maintained a robust cash position with HK$965 million net cash in hand (total cash net of bank borrowings). This financial strength gives us leverage to explore synergistic investment opportunities for long-term profitable growth. To accomplish our vision of leading the world in printing and packaging product innovation, and becoming a long-term strategic partner to leading global brands, approximately HK$76 million was invested during 2019 to set up HH Dream in Hanoi. Capital investments of HK$92 million were also made to systematically upgrade our existing manufacturing facilities to achieve process improvements and enhance automation.

Gearing ratio was kept at a healthy and conservative level of 4.0% (2018: 3.9%).

To mitigate exchange risk while meeting operating cash requirements, RMB cash holding was reduced to approximately 53% of total cash (vs. 2018: 63%), while the rest was mainly held in USD 37% (vs. 2018: 30%) and HKD 7% (vs. 2018: 5%). Loans were also confined to HKD and USD to control currency exposure and minimise interest expenses. We also carefully managed our loan portfolio, using a combination of floating and fixed interest rate facilities depending on financial market conditions to minimise interest rate risk.

Corporate Governance Report

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

Code on corporate governance practices

The Company has adopted the code provisions as set out in the Code of Corporate Governance (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has complied with all the applicable code provisions in the CG Code throughout the year ended 31 December 2019 except for the following deviations:

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

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

Board composition and board practices

The Board of Directors (the "Board") of the Company is composed of 9 directors, of which 2 are Executive Directors including the Executive Chairman, 4 are Non-executive Directors and 3 are Independent Non-executive Directors. All the Independent Non-executive Directors have appropriate professional qualifications, experience or related industry expertise. The Directors biography and relevant relationships amongst them are set out in the Biographical Details of Directors section on pages 33 to 34 of this Annual Report.

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

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

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

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

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

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

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

Board meetings are scheduled to be held at regular interval. The Board would meet more frequently as and when required. An annual general meeting at which the Company’s auditor attended was convened on 23 May 2019 for the financial year ended 31 December 2018.

The attendance record of the Directors at the board meetings and the annual general meeting for the year ended 31 December 2019 is as follows:

	Attendance Board meetings	AGM
Executive Chairman		
Yum Chak Ming, Matthew	4/4	1/1
Executive Director		
Sung Chee Keung	4/4	1/1
Non-executive Directors		
Sadatoshi Inoue (resigned on 24 May 2019)	0/2	0/1
Masashi Nakashima (appointed on 24 May 2019)	2/2	0/0
Hirofumi Hori	4/4	1/1
Yoshihisa Suzuki	4/4	1/1
Yam Hon Ming, Tommy	3/4	0/1
Independent Non-executive Directors		
Yap Alfred Donald	4/4	1/1
Luk Koon Hoo	4/4	1/1
Lo Chi Hong	4/4	1/1

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

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

Training and support for directors

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

All Directors are encouraged to participate in continuous professional development to refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. Directors are also invited to participate in Company events to familiarize themselves with the operations of the Company and opportunity to communicate with other management members of the Company. In 2019, we organized two site visits and arranged our audit firm to give a talk and lead discussion on the subject of Global Development in ESG. Some directors also attended training seminars as provided by other professional bodies or as referred to by the Company.

The records of training as received by each Director in 2019 are summarised as follows:

	Type of trainings
Executive Chairman	
Yum Chak Ming, Matthew	A, B, C
Executive Director	
Sung Chee Keung	A, B, C
Non-executive Directors	
Sadatoshi Inoue (resigned on 24 May 2019)	A, B
Masashi Nakashima (appointed on 24 May 2019)	A, B, C
Hirofumi Hori	A, B, C
Yoshihisa Suzuki	A, B, C
Yam Hon Ming, Tommy	A, B, C
Independent Non-executive Directors	
Yap Alfred Donald	A, B, C
Luk Koon Hoo	A, B, C
Lo Chi Hong	A, B, C

A: attending professional seminars/conferences/forums

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

C: attending corporate events/site visits

Corporate governance policy and duties

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

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

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

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

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

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

Model code for securities transactions

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

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding the directors' securities transaction throughout the year ended 31 December 2019.

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

Internal control

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

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

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

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

Directors' responsibility for the financial statements

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

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 43 to 47 of this Annual Report.

Auditor's remuneration

For the year ended 31 December 2019, the Auditor of the Company will receive approximately HK$2,487,000 (2018: HK$2,502,000) for their audit service. Non-audit service which covered taxation and other services provided to the Group was approximately HK$372,000 (2018: HK$548,000) in the same period.

Remuneration committee

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

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

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

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

The Committee met twice in the financial year ended 31 December 2019 with a 100% attendance by all committee members.

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

– the incentive bonus program of Executive Directors and Senior Management as linked to the financial target of the Group for the year ended 31 December 2019;

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

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

Nomination committee

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

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

The Committee met twice in the financial year ended 31 December 2019 with a 100% attendance by all committee members.

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

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

– the review of composition of the Board;

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

– the nomination of Mr. Masashi Nakashima as Non-executive Director to replace Mr. Sadatoshi Inoue who resigned on 24 May 2019.

Board Diversity Policy

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

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

The following tables further illustrate the diversity of the Board members as of the date of this annual report:

	Age	Educational Background	Ethnicity		Relevant experience		
			Chinese	Japanese	Book & Packaging Printing	Banking	Law
Executive Directors							
Yum Chak Ming, Matthew	61	Industrial Engineering Business Administration	√		√		
Sung Chee Keung	60	Printing Engineering	√		√		
Non-Executive Directors							
Masashi Nakashima	62	Economics		√	√		
Hirofumi Hori	61	Economics		√	√		
Yoshihisa Suzuki	63	Literature		√	√		
Yam Hon Ming, Tommy	56	Economics	√		√		
Independent Non-Executive Directors							
Lo Chi Hong	73	Lexicography	√		√		
Luk Koon Hoo	68	Social Science in Statistics Business Administration	√			√	
Yap, Alfred Donald	81	Law	√				√

Audit committee

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

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

During the financial year ended 31 December 2019, the Committee held four meetings and the attendance record are:

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

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

- reviewing with the auditor on key audit and accounting mattes, internal control recommendation of the auditor and updates on regulatory rules in the auditor's Audit Committee Report and the draft audited financial statements for the financial year ended 31 December 2018;
- reviewing the financial statements for the six months ended 30 June 2019 focusing on business highlights, any change of accounting policies and practices, and compliance with accounting standards and listing rules requirements;
- reviewing with the auditor the scope of their audit, their communication plan, their independence, developments affecting the Company's business, their risk assessment and updates of accounting standards and listing rules as affecting the Company for the financial year ended 31 December 2019;
- reviewing the audit plan, audit progress report and significant audit findings of the Internal Audit Department with management at all committee meetings;
- reviewing with management on implementation of the recommendations made by the Internal Audit Department;
- reviewing the risk management and internal control of the Group; and
- reviewing the continuing connected transactions for the financial year ended 31 December 2018.

The Committee is satisfied with the review of the work of external auditors, their audit fees, results of their audits and has recommended to the Board their re-appointment for the financial year ending on 31 December 2020 at the forthcoming annual general meeting.

Communication with shareholders

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

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

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

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

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

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

Investor relations

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

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

Environmental, Social and Governance Report

Hung Hing strives to protect the planet by embracing 'reduce, reuse, recycle' principles in our operations. Starting this year, we will publish our environmental, social, and governance (ESG) report online at our website, www.hunghingprinting.com. This year's report can be accessed at this link: https://hunghingprinting.com/en-US/ESG/2020_report_en.pdf

The report has been prepared following the Environmental, Social and Governance Report Guide issued by the Hong Kong Exchanges and Clearing Limited. The report covers all companies with a full year of operation under the control of the Group. Our subsidiary, HH Dream Printing Co., Ltd, which started operation in Q4 2019, is not included.

We have established a standard format for the Group's companies to collect ESG data so that information is traceable to the original data source to ensure its accuracy. Each company in the Group has a corporate social responsibility (CSR) team that is responsible for the collection and verification of data. This data is then further audited by CSR staff at our headquarters.

In 2019, we invested a total of HK$8.2 million in improvement projects to preserve the environment. Of this, HK$2.6 million was put towards installing solar panels at our Hong Kong headquarters. The solar panels have generated 172,000 kWh of clean electricity in 2019 which has saved 87,720 kg of CO_2e[1]; equivalent to planting 14,800 trees (@5.89 kg/tree[2]).

Summary of major performance data as below

	Year 2019	Year 2018	Change
Total turnover (HKD million)	**3,084**	3,276	-5.9%
Total scope 1 CO_2e emission (Tonne)	**6,964.36**	6,545.64	+6.4%
Total scope 2 CO_2e emission (Tonne)	**10,367.98**	10,790.51	-3.9%
Total VOC emission (Tonne)	**179.63**	489.57	-63.3%
Total electricity consumed (MWh)	**67,616**	69,204	-2.3%
Total water consumed (M^3)	**1,224,513**	1,217,929	0.5%
Total number of employees	**7,056**	8,223	-14.2%
Average training hour per employee	**2.96**	3.55	-16.6%
Total Injury Rate	**0.20**	0.21	-4.8%

[1] According to CLP bill – 2019 average 0.51kg CO_2e emission per unit of electricity billed

[2] http://urbanforestrynetwork.org/benefits/air%20quality.htm

Report of the Directors

The directors present their report and the audited financial statements of the Group for the year ended 31 December 2019.

Principal activities

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

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

Business Review

A review of the business of the Group during the year as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement, Management Discussion and Analysis and Business Unit Report set out on pages 7 to 17.

Results and dividends

The Group's profit for the year and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 48 to 132.

An interim dividend of HK3 cents per share was paid on 24 October 2019. The directors recommend the payment of a special dividend of HK4 cents per share and a final dividend of HK3 cents per share to shareholders on the register of members on 4 June 2020.

Summary financial information

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

Results

	2019 **HK$'000**	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Revenue	**3,083,904**	3,276,800	3,135,659	2,955,924	3,036,933
Profit/(loss) attributable to equity shareholders of the Company	**75,753**	(74,518)	1,050,483	37,785	38,199
Earnings/(loss) per share					
Basic	**8.4 cents**	(8.3) cents	116.7 cents	4.2 cents	4.2 cents
Diluted	**8.4 cents**	(8.3) cents	116.3 cents	4.2 cents	4.2 cents

Assets, liabilities and non-controlling interests

			At 31 December		
	2019 **HK$'000**	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Current assets	**2,451,911**	2,594,254	3,253,787	2,188,635	2,177,363
Non-current assets	**1,469,765**	1,471,989	1,290,025	1,303,135	1,355,670
Total assets	**3,921,676**	4,066,243	4,543,812	3,491,770	3,533,033
Current liabilities	**494,242**	508,263	540,991	523,089	577,686
Non-current liabilities	**99,753**	160,065	187,799	210,434	143,472
Total liabilities	**593,995**	668,328	728,790	733,523	721,158
Non-controlling interests	**149,900**	153,519	158,309	145,391	155,184
Equity attributable to equity shareholders of the Company	**3,177,781**	3,244,396	3,656,713	2,612,856	2,656,691

Property, plant and equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 10 to the financial statements.

Share capital

Details of the Company's share capital during the year are set out in note 21(c) to the financial statements.

Purchase, redemption or sale of listed securities of the Company

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

Reserves

Details of the movement in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and in note 21(a) to the financial statements, respectively.

Distributable reserves

The Company's distributable reserve as at 31 December 2019, calculated under Part 6 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and with reference to the "Guidance on the Determination of Realised Profit and Losses in the Context of Distributions under the Hong Kong Companies Ordinance" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), amounted to HK$831,045,000 (2018: HK$686,824,000), of which HK$36,315,000 (2018: HK$36,315,000) has been proposed as a special dividend and HK$27,236,000 (2018: HK$27,236,000) has been proposed as a final dividend for the year.

Charitable contributions

During the year, the Group made charitable contributions totalling HK$117,000 (2018: HK$112,000).

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 34% of the total purchases for the year and purchases from the largest supplier included therein amounted to 13%.

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

Directors

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

Executive directors:
Yum Chak Ming, Matthew
Sung Chee Keung

Non-executive directors:
Sadatoshi Inoue (resigned on 24 May 2019)
Masashi Nakashima (appointed on 24 May 2019)
Hirofumi Hori
Yoshihisa Suzuki
Yam Hon Ming, Tommy

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

Directors (continued)

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

Hirofumi Hori
Lo Chi Hong
Masashi Nakashima
Yoshihisa Suzuki

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

In accordance with the Corporate Governance Code of the Listing Rules, if an independent non-executive director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders. Mr. Yap, Alfred Donald, Mr. Luk Koon Hoo and Mr. Lo Chi Hong have served the Company for more than nine years. They, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

Directors of subsidiaries

The following is the list of directors who have served on the boards of the subsidiaries of the Company during the year ended 31 December 2019 and up to the date of this report.

Chan Siu Man, Alvin
Chong Wai Kan, Winky
Lam Yuen Wai, Gary
Lau Ching Wai Peter
Lau Wing Kit, Tommy
Lee Ho Lap Richard
Li Tsz Ching (appointed on 16 April 2019)
Li Zhi Da (resigned on 9 August 2019)
Lim Pheck Wan, Richard
Ling, Richard
Park Yung Keun (appointed on 25 January 2019)
Shek Kwok Man
So Ching Tung, Tony
Song Zhi Yi
Sung Chee Keung
Wu Hui Bin
Yam Ho Ming, Michael
Yum Carson, Christopher
Yum Chak Ming, Matthew
Yum Kevin, Nicholas
Zhang Young Hang (resigned on 1 January 2019)

Biographical details of the directors of the Company and senior management of the Group

Executive directors

Mr. Yum Chak Ming, Matthew, aged 61, is Executive Chairman of the Group. He has been a director of the Company since 1991. As Chairman of the Board, Mr. Yum is responsible for setting direction and overseeing the effective implementation of the Group's strategy, in addition to the overall management of the Group. He has been with the Group since 1983. He holds a Bachelor of Applied Science degree in Industrial Engineering and a Master of Business Administration degree in Marketing and Finance, both from the University of Toronto, Canada.

Mr. Sung Chee Keung, aged 60, is the Executive Director, Consumer Product Packaging. He is responsible for overseeing the operation of the Group's Consumer Product Packaging business in the People's Republic of China ("the PRC"). He holds a Bachelor of Science degree in Printing Engineering from Rochester Institute of Technology, U.S.A. He has over 30 years of experience in the printing industry and has been with the Group since 1986. He became a director of the Company in September 2008.

Non-executive directors

Mr. Masashi Nakashima, aged 62, is a member of the board of directors and the Managing Executive Officer of Rengo Co., Ltd. ("Rengo"), a substantial shareholder of the Company with responsibility of overseeing sales and marketing of Packaging Business Unit. He holds a Bachelor of Economics from University of Nagasaki, Japan. Mr. Nakashima joined Rengo in 1981 and since then has held various positions in Rengo.

Mr. Hirofumi Hori, aged 61, is a member of the board of directors of Rengo and is the Managing Executive Officer with responsibility of overseeing the Overseas Business Group of Rengo. He holds a Bachelor of Economics from Wakayama University, Japan. Mr. Hori joined Rengo in 1981 and since then has held various positions in Rengo. He has been a member of the board of directors of Rengo since June 2014.

Mr. Yoshihisa Suzuki, aged 63, is the General Manager of the China Business Promotion Office in the Administration Unit of Rengo. He holds a Bachelor of Literature from the Beijing Language and Culture University, the PRC. Mr. Suzuki has been with Rengo since 1995 in various positions.

Mr. Yam Hon Ming, Tommy, aged 56, holds a Bachelor of Arts degree in Economics from York University, Canada. Mr. Yam has significant management experience in the printing industry. He was a non-executive director of the Company from 1991 to 1996. He re-joined the Company in 1999 and served as an executive director of the Company from July 2000 to July 2008. He was also the general manager of Hung Hing Packaging (Wuxi) Company Limited, a subsidiary of the Company, and was responsible for its general management between 2002 and 2008. He is a brother of Mr. Yum Chak Ming, Matthew.

Biographical details of the directors of the Company and senior management of the Group (continued)

Independent non-executive directors

Mr. Lo Chi Hong, aged 73, was a Board Director and Vice President of Sino United Publishing (Holdings) Limited and is an advisor to the group chairman of the Hung's Food Group which runs the restaurant and bakery chain under the "Yoshinoya" and "Maria's Bakery" brand names respectively. He has held senior managerial roles in the publishing industry over the last 30 years. From 1996 to 2007, he served as the chief executive officer of C&C Joint Printing (HK) Limited. Mr. Lo has also held a number of public posts in Hong Kong and the PRC including acting as the chairman of the Advisory Board of the Hong Kong Institute of Print-media Professionals, an honorary president of the Chinese Manufacturers' Association of Hong Kong and an honorary president of the Hong Kong Printers Association. He served as a vice president of the Printing Technology Association of China, a council member of the World Print and Communication Forum (WPCF), a member of the Hong Kong Council for Accreditation of Academic & Vocational Qualifications and a member of the SME Development Fund Vetting Committee, and was the founding chairman of the Hong Kong Publishing Professionals Society. In 2005, Mr. Lo was awarded the Medal of Honour by the HKSAR Government. He was also the recipient of the Outstanding Achievement Award presented by the Hong Kong Print Awards in 2007. Mr. Lo was a PHD Candidate of Peking University in China in 1985.

Mr. Luk Koon Hoo, aged 68, has been an independent non-executive director of the Company since August 2008. He is a retired banker and has 30 years of comprehensive experience in accounting and financial management. He joined Hang Seng Bank in 1975 and became the bank's Chief Financial Officer in 1989. He was appointed Executive Director and Deputy Chief Executive in 1994 and was subsequently re-designated as Managing Director until his retirement in 2005. Mr. Luk is currently an independent non-executive director of four publicly-listed companies in Hong Kong, namely, China Properties Group Limited, Computime Group Limited, i-Cable Communications Limited and Harbour Centre Development Limited. Mr. Luk also serves as a council member of The Chinese University of Hong Kong and a member of Urban Renewal Authority. Mr. Luk graduated with a Bachelor of Social Sciences Degree in Statistics from The University of Hong Kong and also holds a Master of Business Administration Degree granted by The Chinese University of Hong Kong. He is a Fellow of the Hong Kong Institute of Bankers. Mr. Luk is a Non-official Justice of the Peace and was awarded the honour of Bronze Bauhinia Star in 2004 in recognition of his contributions to public services.

Mr. Yap, Alfred Donald, JP, aged 81, is presently a consultant of Messrs. K.C. Ho & Fong, Solicitors & Notaries and also of Messrs Yap & Lam, Solicitors and Notaries. He is the former president of The Law Society of Hong Kong and of The Law Association for Asia and The Pacific (LAWASIA). He has served on various public and community bodies. Mr. Yap is currently an independent non-executive director of eSun Holdings Limited, and Wong's International Holdings Limited, which are listed on the Stock Exchange. He became a director of the Company in March 2005.

Biographical details of the directors of the Company and senior management of the Group (continued)

Senior management

Mr. Shek Kwok Man, aged 55, is the Chief Financial Officer and Company Secretary of the Group, providing overall financial leadership in matters related to mergers & acquisitions, investor relations, accounting, planning & reporting, treasury, and financial management of all manufacturing operations. He is also responsible to support the Group's board of directors on all the board related activities, and handle listing and regulatory affairs as the Group's authorized representative required under the Hong Kong Stock Exchange Rules on Listing Matters and the Company Ordinance. Mr. Shek joined the Group in February 2013, bringing with him over 25 years of management experience in senior executive roles with world-renowned multinational corporations such as IBM, Bausch & Lomb, Philip Morris/Kraft Foods, Thomson Reuters, Wrigley, Mead Johnson, Hershey's and Associated British Foods. He has been assigned to station in various locations including Tokyo, Guangzhou, Beijing and Shanghai in addition to Hong Kong. Mr. Shek is a member of the Institute of Chartered Accountants in England and Wales (ICAEW) as well as the Hong Kong Institute of Certified Public Accountants (HKICPA). He graduated from the University of Hong Kong with a BSSc (Hons) degree, and holds a MBA with Manchester Business School, UK and Master of Science-Marketing (MSc-Mktg) with Napier University, Edinburgh, Scotland.

Mr. Wong Fu Cheung, Dennis, aged 59, is the General Manager, Corporate Responsibility and Compliance and is responsible for overseeing improvements in quality (assurance and control), safety, ethics and sustainability initiatives. He holds a Bachelor of Science degree in Computational and Statistical Science from the University of Liverpool and a Master of Business Management degree from University of Bradford both in U.K.. He has been with the Group since 1992.

Mr. Song Zhi Yi, aged 58, is responsible for the management of the Group's manufacturing operations in Shenzhen and Heshan. He holds a Bachelor's degree in Forestry from the Southern China Agricultural University, the PRC. He has been with the Group since 1990. He is a brother of Mr. Sung Chee Keung.

Mr. Chan Siu Man, Alvin, aged 61, is responsible for the Group's manufacturing operation in Hong Kong as well as the supply chain and procurement operations of the Group. He holds a Bachelor of Applied Science degree in Electrical Engineering from the University of Toronto. He has been with the Group since 1990. He is the brother-in-law of Mr. Yum Chak Ming, Matthew.

Ms. Chong Wai Kan, Winky, aged 49, is responsible for the management of the Group's paper trading business. She has over 20 years of experience in paper trading and has been with the Group since 1992.

Biographical details of the directors of the Company and senior management of the Group (continued)

Senior management (continued)

Mr. Lim Pheck Wan, Richard, aged 54, is the Chief Operations Officer of the Group's book and package printing business. He is responsible for the day-to-day operations and execution of the BPP's strategy. He holds a Master's Degree in International Marketing from the University of Strathclyde, Glasgow. He has over 20 years experience in the printing business and has managed operations in Singapore/Malaysia and Eastern China. He has been with the Group since July 2011.

Mr. So Ching Tung, Tony, aged 49, is responsible for the management of the corrugated box business in Hong Kong, Shenzhen and Foshan. He holds a Bachelor of Science degree (Honours) in Chemistry from the Hong Kong Baptist University and a Master of Business Administration degree from The Hong Kong Polytechnic University. He has been with the Group since 2006.

Mr. Yu Yan Yee, aged 50, is the Chief Information Officer of the Group. In this capacity, he is responsible for formulating the Group's information technology (IT) strategy, overseeing all aspects of IT function, and driving enterprise – wide digital transformation across its seven locations in supporting the Group's business vision. Prior to joining the Company, Mr. Yu had spent 10 years with IBM Global Business Services (US and HK), advising and driving technology agenda for organizations in a wide range of industries. He holds a Bachelor of Science degree (cum laude) in Mechanical Engineering from Louisiana Tech University, USA, a Master of Business Administration degree from Boston University, USA, and a Master of Science degree in IT from the Hong Kong University of Science and Technology. Mr. Yu was the recipient of numerous industry recognitions, notably 2019 IDC CIO50 in ASEAN, 2018 IDC DX (Digital Transformation) Leader of the Year, 2017 China CIO Award, and 2017 Hong Kong CIO Award for Medium Enterprise. He has been with the Group since May 2012.

Mr. Yum Carson, Christopher, aged 34, is responsible for the sales and marketing operations of the Group's book and package printing business. He holds a Bachelor of Arts degree in Business Management from Coventry University, UK. He has over 10 years of experience in the printing business, and has been with the Group since 2007. He is the son of Mr. Yum Chak Ming, Matthew.

Biographical details of the directors of the Company and senior management of the Group (continued)

Senior management (continued)

Mr. Yum Kelvin, Nicholas, aged 32, is the manager of Beluga Limited, focuses on the design and creation of high-tech printed products. He holds a Bachelor of Science degree in Business Management from University of St. Andrews, UK. He has been with the Group since 2011. He is the son of Mr. Yum Chak Ming, Matthew.

Indemnity of directors

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

Directors' service contracts

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

Directors' remuneration

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

Directors' interests in contracts

Save as disclosed in note 27 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Directors' interests in shares and underlying shares

At 31 December 2019, the interests of the directors in the share capital and underlying shares of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Directors' interests in shares and underlying shares (continued)

Long positions in ordinary shares of the Company:

Name of directors	Number of shares held, capacity and nature of interest					Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Share award scheme	Total	
Yum Chak Ming, Matthew	46,793,630	–	–	2,740,710	49,534,340	5.46
Sung Chee Keung	2,266,314	60,000	–	810,440	3,136,754	0.35
Yap, Alfred Donald	27,504	–	–	–	27,504	–

Save as disclosed above, as at 31 December 2019, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' rights to acquire shares

Pursuant to the Restricted Share Award Scheme, the executive directors are eligible participants of the Restricted Share Award Scheme, details of which are set out in note 22 to the financial statements.

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

Substantial shareholders' and other persons' interests in shares and underlying shares

At 31 December 2019, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

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

* C.H. Yam International Limited, established by the founder of the Company, was held by Mr. Yum Chak Ming, Matthew, Mr. Yam Hon Ming, Tommy and other immediate family members of the founder as at 31 December 2019. None of such interests renders C.H. Yam International Limited a controlled corporation (as defined in SFO) of any of Mr. Yum Chak Ming, Matthew, Mr. Yam Hon Ming, Tommy or any other members of the family.

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

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

Save as disclosed above, as at 31 December 2019, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and underlying shares" above, had registered an interest and short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Significant Related Party Transactions

The Group have certain transactions with parties regarded as "related parties" under applicable accounting principles. The related party transactions conducted during the ordinary course of business, which cover transactions with related parties and constitute connected transactions as defined under the Listing Rules, are set out in notes 25 and 27 to the financial statements. Such transactions were complied with the applicable provisions under the Listing Rules.

Continuing connected transactions

During the year and in the normal course of business, the Company and its subsidiaries (collectively the "Group") had various commercial transactions with Rengo Co., Ltd. ("Rengo"), its subsidiaries and its associates (together with Rengo, "Rengo Group"). Rengo is a substantial shareholder of the Company and these transactions constitute continuing connected transactions under the Listing Rules.

Details of these transactions are as follows:

On 7 December 2018, the Group and the Rengo Group renewed two framework agreements in relation to the continuing connected transactions, namely as follows:

(i) The Sale of Paper Products Framework Agreement pursuant to which the Group agreed to sell and the Rengo Group agreed to purchase paper products for the period from 1 January 2019 (the "Effective Date") to 31 December 2021.

(ii) The Purchase of Paper Products Framework Agreement pursuant to which the Group agreed to purchase and the Rengo Group agreed to sell paper products for the period from the Effective Date to 31 December 2021.

The annual caps of the agreements are as follows:

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

Year ended 31 December 2019: HK$25 million
Year ending 31 December 2020: HK$28 million
Year ending 31 December 2021: HK$30 million

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

Year ended 31 December 2019: HK$20 million
Year ending 31 December 2020: HK$22 million
Year ending 31 December 2021: HK$25 million

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

During the year ended 31 December 2019, the actual amount of transactions in relation to the Sale of Paper Products Framework Agreement and the Purchase of Paper Products Framework Agreement were HK$3.49 million and HK$0.82 million, respectively.

Annual review of continuing connected transactions

The Company has engaged its auditor, KPMG, to conduct a review of the above continuing connected transactions for the year ended 31 December 2019 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter in respect of the continuing connected transactions disclosed in the paragraph above.

The Independent Non-executive Directors of the Company have reviewed the above continuing connected transactions for the year ended 31 December 2019 and the letter issued by the auditor and confirmed that the above continuing connected transactions were entered into:

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

(ii) on normal commercial terms or better; and

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

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

Dividend policy

The Company has adopted a dividend policy ("Dividend Policy"), pursuant to which the Company endeavors to maintain stable dividend return on half-yearly basis and offer the utmost in rewarding the shareholders of the Company.

In deciding whether to propose or declare a dividend and in determining the dividend amount, the Board shall take into account projected cash-flow and retained profit requirement for future development of the Company, inter alia:

– financial performance and operating results;

– effective allocation of distributable retained earnings and reserves;

– maintaining regularity in pay-out frequency, amount and/or ratio; and

– other factors it may deem relevant at such time.

The dividend to be proposed or declared shall be determined at the sole discretion of the Board and is subject to the restrictions under the Articles of Association of the Company and all applicable laws and regulations.

The Company will review the Dividend Policy from time to time and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy. The Dividend Policy shall not constitute a legally binding commitment by the Company and there is no assurance that dividends will be paid in any particular amount in any given period.

Sufficiency of public float

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

Auditors

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

By order of the Board

Yum Chak Ming, Matthew
Executive Chairman

Hong Kong, 24 March 2020

Independent Auditor's Report

KPMG

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

Opinion

We have audited the consolidated financial statements of Hung Hing Printing Group Limited and its subsidiaries (together "the Group") set out on pages 48 to 132, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis of opinion

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

Key audit matters

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

Valuation of raw materials	
Refer to accounting policy note 1(n) and note 14 to the consolidated financial statements	
The key audit matter	**How the matter was addressed in our audit**
At 31 December 2019, inventories comprised raw materials, work-in-progress and finished goods. Inventories are carried at the lower of cost and net realisable value ("NRV") in the consolidated financial statements. At 31 December 2019, the Group's raw materials, which accounted for 72% of the total inventories and comprised principally of paper products, with gross amount of HK$352 million, against which a write-down of HK$12 million was recorded. Management performs a regular review of the raw materials held by the Group and assess if any write-down is required due to their deteriorating physical conditions, long ageing or the expectation that they would not be fully utilised based on expected future manufacturing or trading orders. Where there are such raw materials, a write-down may be required to reduce the carrying amount to NRV. We identified the valuation of raw materials as a key audit matter because significant degree of management judgement required to assess the appropriate level of write-down for raw materials.	Our audit procedures to assess the valuation of the raw materials included the following: • evaluating the Group's policy for provision for raw materials with reference to the requirements of the prevailing accounting standards; • assessing, on a sample basis, whether items in the raw materials ageing report were classified within the appropriate ageing bracket by comparing individual items with goods receipt notes; • inspecting the ageing report of raw materials and discussing with management the condition of long-aged and slow-moving items as identified by management; • assessing the NRV of raw materials by comparing, on a sample basis, the raw materials held at 31 December 2019 with forward customers' orders and the selling price subsequent to the year end with the carrying value; • attending the year-end inventory count, observing the relevant controls implemented by management and identifying damaged inventories through inspection and enquiry of the warehouse staff; • assessing whether the calculation of the write-down for raw materials was consistent with the Group's raw materials write-down policy by re-calculating the write-down based on the Group's write-down policy; and • assessing the historical accuracy of management's write-down for raw materials by examining the utilisation or release of previously write-down in the current year and additional write-down made during the current year in respect of raw materials held as at 31 December 2018.

Information other than the consolidated financial statements and our auditor's report thereon

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

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

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

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

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yeung Yuk Fan.

KPMG
Certified Public Accountants

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

24 March 2020

Consolidated Income Statement

For the year ended 31 December 2019

(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 (Note) $'000
Revenue	4	**3,083,904**	3,276,800
Cost of sales	5	**(2,558,284)**	(2,907,463)
Gross profit		**525,620**	369,337
Other revenue	4	**47,672**	46,709
Other net loss	4	**(21,172)**	(42,563)
Distribution costs		**(78,066)**	(78,859)
Administrative and selling expenses		**(379,933)**	(367,754)
Operating profit/(loss)		**94,121**	(73,130)
Finance costs	6	**(5,695)**	(4,558)
Share of loss of an associate		**(351)**	–
Profit/(loss) before income tax		**88,075**	(77,688)
Income tax	8	**(19,792)**	5,544
Profit/(loss) for the year		**68,283**	(72,144)
Attributable to:			
Equity shareholders of the Company		**75,753**	(74,518)
Non-controlling interests		**(7,470)**	2,374
Profit/(loss) for the year		**68,283**	(72,144)
Earnings/(loss) per share attributable to equity shareholders of the Company	9		
Basic		**8.4 cents**	(8.3) cents
Diluted		**8.4 cents**	(8.3) cents

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

The notes on pages 56 to 132 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 21(b)(i).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	2019 $'000	2018 (Note) $'000
Profit/(loss) for the year	**68,283**	(72,144)
Other comprehensive income for the year (net of tax):		
Item that will not be reclassified to profit or loss		
– Change in fair value of equity investments at fair value through other comprehensive income ("FVOCI") (non-recycling)	**(42,483)**	(1,250)
Items that may be reclassified subsequently to profit or loss		
– Exchange differences on translation of financial statements of subsidiaries and an associate outside Hong Kong	**(20,419)**	(48,593)
– Change in fair value of intangible assets	**–**	1,000
Other comprehensive income for the year	**(62,902)**	(48,843)
Total comprehensive income for the year	**5,381**	(120,987)
Attributable to:		
Equity shareholders of the Company	**16,597**	(116,197)
Non-controlling interests	**(11,216)**	(4,790)
Total comprehensive income for the year	**5,381**	(120,987)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

The notes on pages 56 to 132 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 (Note) $'000
Non-current assets			
Property, plant and equipment	10	**1,286,188**	1,250,029
Intangible assets		**12,189**	11,912
Deposits for acquisition of non-current assets		**72,631**	63,407
Interest in an associate	12	**10,982**	11,309
Financial investments	13	**68,674**	112,330
Deferred tax assets	20(b)(ii)	**19,101**	23,002
		1,469,765	1,471,989
Current assets			
Inventories	14	**473,534**	527,968
Trade and other receivables	15	**879,898**	979,092
Pledged time deposits		**86,186**	97,244
Cash and cash equivalents	16(a)	**1,012,293**	989,842
Income tax recoverable	20(a)	**–**	108
		2,451,911	2,594,254
Current liabilities			
Trade and other payables	17	**379,797**	479,735
Bank borrowings	18	**87,901**	24,000
Lease liabilities	19	**7,815**	–
Income tax payable	20(a)	**18,729**	4,528
		494,242	508,263
Net current assets		**1,957,669**	2,085,991
Total assets less current liabilities		**3,427,434**	3,557,980
Non-current liabilities			
Bank borrowings	18	**46,000**	107,000
Lease liabilities	19	**4,872**	–
Deferred tax liabilities	20(b)(ii)	**48,881**	53,065
		99,753	160,065

	Note	2019 $'000	2018 (Note) $'000
NET ASSETS		**3,327,681**	3,397,915
CAPITAL AND RESERVES			
Share capital	21(c)	**1,652,854**	1,652,854
Reserves		**1,524,927**	1,591,542
Total equity attributable to equity shareholders of the Company		**3,177,781**	3,244,396
Non-controlling interests		**149,900**	153,519
TOTAL EQUITY		**3,327,681**	3,397,915

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

Approved and authorised for issue by the board of directors on 24 March 2020.

Yum Chak Ming, Matthew
Director

Sung Chee Keung
Director

The notes on pages 56 to 132 form part of these financial statements.

Consolidated Statement of Changes in Equity

At 31 December 2019

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company										
	Note	Share capital $'000	Other capital reserves (Note (i)) $'000	Intangible asset revaluation reserve $'000	Financial assets at FVOCI reserve (non-recycling) $'000	Legal reserves $'000	Exchange fluctuation reserve $'000	Equity compensation reserve $'000	Retained earnings $'000	Sub-total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2018		1,652,854	(24,293)	6,100	27,910	136,588	101,507	6,508	1,747,368	3,654,542	158,309	3,812,851
Changes in equity for 2018:												
Loss for the year		–	–	–	–	–	–	–	(74,518)	(74,518)	2,374	(72,144)
Other comprehensive income, net of tax		–	–	1,000	(1,250)	–	(41,429)	–	–	(41,679)	(7,164)	(48,843)
Total comprehensive income for the year		–	–	1,000	(1,250)	–	(41,429)	–	(74,518)	(116,197)	(4,790)	(120,987)
Dividends approved in respect of previous year	21(b)(ii)	–	–	–	–	–	–	–	(272,360)	(272,360)	–	(272,360)
Dividends declared in respect of the current year	21(b)(i)	–	–	–	–	–	–	–	(27,236)	(27,236)	–	(27,236)
Purchase of shares for Share Award Scheme	22	–	(6,341)	–	–	–	–	–	–	(6,341)	–	(6,341)
Shares vested and allotted under Share Award Scheme	22	–	5,108	–	–	–	–	(5,108)	–	–	–	–
Equity compensation expenses	22	–	–	–	–	–	–	11,988	–	11,988	–	11,988
Allocation to legal reserves		–	–	–	–	3,592	–	–	(3,592)	–	–	–
Balance at 31 December 2018		1,652,854	(25,526)	7,100	26,660	140,180	60,078	13,388	1,369,662	3,244,396	153,519	3,397,915

		Attributable to equity shareholders of the Company										
	Note	Share capital $'000	Other capital reserves (Note (i)) $'000	Intangible asset revaluation reserve $'000	Financial assets at FVOCI reserve (non-recycling) $'000	Legal reserves $'000	Exchange fluctuation reserve $'000	Equity compensation reserve $'000	Retained earnings (Note(ii)) $'000	Sub-total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2019		**1,652,854**	**(25,526)**	**7,100**	**26,660**	**140,180**	**60,078**	**13,388**	**1,369,662**	**3,244,396**	**153,519**	**3,397,915**
Changes in equity for 2019:												
Profit for the year		-	-	-	-	-	-	-	75,753	75,753	(7,470)	68,283
Other comprehensive income, net of tax		-	-	-	(41,762)	-	(17,394)	-	-	(59,156)	(3,746)	(62,902)
Total comprehensive income for the year		-	-	-	(41,762)	-	(17,394)	-	75,753	16,597	(11,216)	5,381
Dividends approved in respect of previous year	21(b)(ii)	-	-	-	-	-	-	-	(63,551)	(63,551)	-	(63,551)
Dividends declared in respect of the current year	21(b)(i)	-	-	-	-	-	-	-	(27,236)	(27,236)	-	(27,236)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(2,218)	(2,218)
Increase in non-controlling interests upon set up of subsidiaries		-	-	-	-	-	-	-	-	-	9,815	9,815
Shares vested and allotted under Share Award Scheme	22	-	8,823	-	-	-	-	(8,823)	-	-	-	-
Equity compensation expenses	22	-	-	-	-	-	-	7,575	-	7,575	-	7,575
Allocation to legal reserves		-	-	-	-	4,536	-	-	(4,536)	-	-	-
Balance at 31 December 2019		**1,652,854**	**(16,703)**	**7,100**	**(15,102)**	**144,716**	**42,684**	**12,140**	**1,350,092**	**3,177,781**	**149,900**	**3,327,681**

Notes:

(i) At 1 January 2018, other capital reserves represented own held shares reserve and capital reserve with debit balances of $23,479,000 and $814,000 respectively.

At 31 December 2018 and 1 January 2019, other capital reserves represented own held shares reserve and capital reserve with debit balances of $24,712,000 and $814,000 respectively.

At 31 December 2019, other capital reserves represented own held shares reserve and capital reserve with debit balances of $15,889,000 and $814,000 respectively.

(ii) The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

The notes on pages 56 to 132 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Note	**2019** **$'000**	2018 (Note) $'000
Operating activities			
Cash generated from operations	16(b)	**253,119**	19,721
Hong Kong profits tax refunded/(paid)		**30**	(21)
The People's Republic of China ("the PRC") income tax paid		**(5,055)**	(21,875)
Net cash generated from/(used in) operating activities		**248,094**	(2,175)
Investing activities			
Settlement of derivative financial instruments		**521**	(46,258)
Interest received		**21,964**	30,765
Dividend received from financial investments		**462**	439
Consideration for acquisition of an associate		**–**	(11,309)
Consideration for acquisition of a subsidiary company, net of cash acquired	25	**–**	(61,271)
Payment for acquisition of financial investments		**–**	(65,450)
Purchases of property, plant and equipment	10	**(98,296)**	(122,559)
Additions to intangible assets		**(1,366)**	(827)
Payment for acquisition of land use rights	10	**(11,019)**	–
Net proceeds from disposal of a subsidiary company		**–**	390,339
Deposits for acquisition of property, plant and equipment		**(56,892)**	(66,780)
Proceeds from disposal of property, plant and equipment		**7,828**	2,973
Decrease in pledged time deposits		**11,054**	28,685
Increase in time deposits with original maturity over three months		**(15,820)**	(94)
Net cash (used in)/generated from investing activities		**(141,564)**	78,653

	Note	2019 $'000	2018 (Note) $'000
Financing activities			
Payment for purchase of shares for Share Award Scheme	22	**–**	(6,341)
Proceeds from bank borrowings	16(c)	**145,343**	24,088
Repayments of bank borrowings	16(c)	**(142,442)**	(100,840)
Capital element of lease rentals paid	16(c)	**(11,694)**	–
Interest element of lease rentals paid	16(c)	**(659)**	–
Interest paid	16(c)	**(5,006)**	(4,615)
Capital injection by non-controlling interest to a subsidiary		**9,815**	–
Dividends paid to equity shareholders of the Company		**(90,787)**	(299,596)
Dividends paid to non-controlling interests		**(2,218)**	–
Net cash used in financing activities		**(97,648)**	(387,304)
Net increase/(decrease) in cash and cash equivalents		**8,882**	(310,826)
Cash and cash equivalents at 1 January		**983,957**	1,299,409
Effect of foreign exchange rate changes		**(2,021)**	(4,626)
Cash and cash equivalents at 31 December	16(a)	**990,818**	983,957

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

The notes on pages 56 to 132 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1 Significant accounting policies

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries and the Group's interest in an associate.

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

– club debentures under intangible assets (see note 1(i));

– investments in debt and equity securities (see note 1(j)); and

– derivative financial instruments (see note 1(k)).

1 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged. HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balances at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

1 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

HKFRS 16, Leases (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 10(b). For an explanation of how the Group applies lessee accounting, see note 1(l).

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments were ranging from 3.3% to 4.75%.

1 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

HKFRS 16, Leases (continued)

b. *Lessee accounting and transitional impact (continued)*

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 24(a) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019.

	1 January 2019 $'000
Operating lease commitments at 31 December 2018	72,259
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(1,768)
– non-lease components separated from the contracts	(52,751)
	17,740
Less: total future interest expenses	(608)
Present value of remaining lease payments, discounted using the incremental borrowing rates and total lease liabilities recognised at 1 January 2019	17,132

1 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

HKFRS 16, Leases (continued)

b. Lessee accounting and transitional impact (continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities. Upfront payments for leasehold lands in Hong Kong and the PRC were classified as land use rights as at 31 December 2018. Upon the adoption of HKFRS 16, the land use rights of $75,519,000 were reclassified to right-of-use assets. Right-of-use assets as at 1 January 2019 comprise right-of-use assets relating to operating leases recognised upon adoption of HKFRS 16 of $17,132,000 and amount reclassified from land use rights of $75,519,000. Such right-of-use assets are presented within "property, plant and equipment".

c. Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported operating profit in the Group's consolidated income statement, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 16(c)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows (see note 16(d)).

1 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests

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

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Intra-group transactions, balances, and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of subsidiary net identifiable assets.

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

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

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate (see note 1(e)), joint venture or financial asset (see note 1(j)).

1 Significant accounting policies (continued)

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

Investments in subsidiaries are accounted for at cost less impairment losses (see note 1(m)). Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(e) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and (m)(iii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate (after applying the ECL model to such other long-term interests where applicable (see note 1(m)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

1 Significant accounting policies (continued)

(e) Associates (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(j)).

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree; over

(ii) the fair value of the identified net assets acquired measured as at the acquisition date.

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is test annually for impairment (see note 1(m)(iii)).

On disposal of CGU during the year, any attributable amount of purchased goodwill is included in calculation of profit or loss on disposal.

1 Significant accounting policies (continued)

(g) Foreign currency translation

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(h) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(m)):

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest;

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and machinery (see note 1(l)); and

– land use rights which are up-front payments to acquire long-term interest in leasehold land.

1 Significant accounting policies (continued)

(h) Property, plant and equipment (continued)

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

–	Buildings situated in Hong Kong	Over the shorter of the useful lives of the assets or lease terms of the associated land use rights
–	Buildings situated in the PRC	Over the shorter of the lease terms of the associated land use rights and useful lives which is 2.5%-10% on the straight-line basis
–	Buildings situated in Vietnam	Over the shorter of the useful lives of the assets or lease terms of the associated land use rights
–	Land use rights	Over the lease terms of the land use rights
–	Plant and machinery	10%-20% on the reducing balance basis
–	Motor vehicles	30% on the reducing balance basis
–	Furniture, fixtures and equipment	20%-30% on the reducing balance basis

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

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

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

No depreciation is provided for properties under construction. The carrying amount of properties under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 1(m)).

1 Significant accounting policies (continued)

(i) Intangible assets

Intangible assets comprise goodwill arising from consolidation, acquisition of computer software and club debentures. The accounting policy for goodwill is set out in note 1(f).

Expenditure on computer software which give rise to economic benefit is capitalised as part of intangible assets and are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(m)). Amortisation of computer software with finite useful lives is 30% on the reducing balance basis and is charged to profit or loss.

Club debentures are initially recognised at cost, subsequently at revaluation. Changes arising on the revaluation of club debentures are generally dealt with in other comprehensive income and are accumulated separately in equity in the intangible asset revaluation reserve. Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss. Club debentures that have an indefinite useful life are not subject to amortisation and are tested annually for impairment (see note 1(m)).

(j) Other investments in debt and equity securities

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

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 26(f). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified as FVPL if the investment does not meet the criteria for being classified measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

1 Significant accounting policies (continued)

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

(ii) Equity Investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the financial assets at FVOCI reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(w)(iii).

(k) Derivative financial instruments

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

(l) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) Policy applicable from 1 January 2019

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

1 Significant accounting policies (continued)

(l) Leased assets (continued)

(i) Policy applicable from 1 January 2019 (continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(h) and 1(m)(iii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in "property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

(ii) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term.

1 Significant accounting policies (continued)

(m) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("ECLs") on the financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables). Other financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls for fixed-rate financial assets are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade and bill receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

1 Significant accounting policies (continued)

(m) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial assets are 30 to 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

1 Significant accounting policies (continued)

(m) Credit losses and impairment of assets (continued)

(ii) Credit losses from financial guarantees issued

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

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

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(m)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

1 Significant accounting policies (continued)

(m) Credit losses and impairment of assets (continued)

(iii) Impairment of other non-current assets

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

– property, plant and equipment, including right-of-use assets;

– intangible assets (including goodwill);

– interest in an associate; and

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

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

1 Significant accounting policies (continued)

(m) Credit losses and impairment of assets (continued)

(iii) Impairment of other non-current assets (continued)

– Reversals of impairment losses

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

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

(n) Inventories

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

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

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

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

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 1(m)(i).

1 Significant accounting policies (continued)

(p) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(m)(i)).

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(m)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(x)).

(s) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(w)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(p)).

1 Significant accounting policies (continued)

(t) Employee benefits

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

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

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

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

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

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

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

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

1 Significant accounting policies (continued)

(t) Employee benefits (continued)

(ii) Share-based payments

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

– including any market performance conditions;

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

– excluding the impact of any non-vesting conditions.

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

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

Under the Share Award Scheme, directors and employees of the Group are entitled to the shares for which are held in trust by Law Debenture Trust (Asia) Limited (the "Trustee") for the benefit of the directors and employees. The Trustee may be instructed to buy shares from the market using the funds held by the Trustee. Details of outstanding shares can be referred to note 22.

(iii) Termination benefits

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

1 Significant accounting policies (continued)

(u) Income tax

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

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

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

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

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

1 Significant accounting policies (continued)

(u) Income tax (continued)

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

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

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

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

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

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

  – the same taxable entity; or

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

1 Significant accounting policies (continued)

(v) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events; it is probable that an outflow of economic benefits will be required to settle the obligation; and the amount has been reliably estimated. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(w) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of goods

Revenue is recognised when the customer takes possession of and accepts the products.

(ii) Interest income

Interest income is recognised using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(m)(i)).

(iii) Dividend income

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

1 Significant accounting policies (continued)

(w) Revenue and other income (continued)

(iv) Government grants

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

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

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

(x) Borrowing costs

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

(y) Segment reporting

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

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

(z) Related parties

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

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

(ii) has significant influence over the Group; or

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

1 Significant accounting policies (continued)

(z) Related parties (continued)

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

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

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

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

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

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

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

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

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

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

2 Critical accounting estimates and judgments

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

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

(a) Income taxes

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

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

(b) Estimated impairment of non-financial assets

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually whenever there is indication that these assets may be impaired. Intangible assets with finite useful lives and property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The Group reviews for impairment of the intangible assets and property, plant and equipment in accordance with the accounting policy stated in note 1(m)(iii).

The recoverable amount of the property, plant and equipment is the greater of the fair value less costs of disposal and value-in-use. The value-in-use calculations require the use of estimates based on the Group's best estimate of the expected cash inflow generated from the use of property, plant and equipment throughout their useful lives. Adjustments will be made if the actual performance differs from the original estimates.

2 Critical accounting estimates and judgments (continued)

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

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

(d) Fair value estimation of debt and equity financial assets

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

(e) Provision for inventories

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

(f) Provision of ECL for receivables

The Group uses provision matrix to calculate ECL for trade and other receivables. The provision matrix is based on the Group's historical credit loss experience (including credit history of its customers) and the current and forecast economic conditions. Management reassesses the provision at the end of each reporting period.

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

3 Segment information

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

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

(a) Book and Package Printing segment;

(b) Consumer Product Packaging segment;

(c) Corrugated Box segment; and

(d) Paper Trading segment.

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

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

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

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

Segment results do not include corporate finance costs and other corporate income and expenses.

3 Segment information (continued)

(a) The following tables present revenue, results and certain information for the Group's business segments for the years ended 31 December 2019 and 2018.

	Book and package printing		Consumer product packaging		Corrugated box		Paper trading		Eliminations		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Segment revenue												
Sales to external customers	**1,896,708**	1,850,481	**602,700**	752,676	**278,199**	285,906	**306,297**	387,737	**-**	–	**3,083,904**	3,276,800
Inter-segment sales	**1,106**	309	**1,957**	5,188	**140,958**	152,155	**385,319**	438,701	**(529,340)**	(596,353)	**-**	–
Total	**1,897,814**	1,850,790	**604,657**	757,864	**419,157**	438,061	**691,616**	826,438	**(529,340)**	(596,353)	**3,083,904**	3,276,800
Segment results	**111,205**	(73,713)	**(13,373)**	18,069	**28,191**	25,974	**(3,301)**	6,589	**3,000**	1,036	**125,722**	(22,045)
Interest income and other income											**25,048**	35,213
Corporate and unallocated expenses											**(56,649)**	(86,298)
Operating profit/(loss)											**94,121**	(73,130)
Finance costs											**(5,695)**	(4,558)
Share of loss of an associate											**(351)**	–
Profit/(loss) before income tax											**88,075**	(77,688)
Income tax											**(19,792)**	5,544
Profit/(loss) for the year											**68,283**	(72,144)
Depreciation and amortisation												
Segment	**68,684**	62,568	**35,199**	34,940	**7,302**	6,870	**11,789**	600	**(1,201)**	(1,120)	**121,773**	103,858
Corporate and unallocated											**1,223**	1,033
Total											**122,996**	104,891

3 Segment information (continued)

(b) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets and deposits for acquisition of non-current assets ("specified non-current assets"). Revenue is allocated based on the places/countries in which the customers are located. The geographical location of the specified non-current assets is based on the physical location of the assets.

	Revenue from external customers		**Specified non-current assets**	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
The PRC	**917,460**	1,056,121	**1,183,076**	1,209,334
Hong Kong	**782,602**	876,512	**103,674**	116,014
United States of America	**751,601**	715,900	**–**	–
Europe	**491,567**	503,054	**–**	–
Other countries	**140,674**	125,213	**84,258**	–
	3,083,904	3,276,800	**1,371,008**	1,325,348

During the years ended 31 December 2019 and 2018, no single customer accounted for 10% or more of total revenue.

4 Revenue, other revenue and other net loss

The principal activities of the Group consist of book and package printing, the consumer product packaging, the corrugated box and the trading of paper.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for paper trading and does not disclose information about remaining performance obligations that have an original expected duration of one year or less.

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

	2019 **$'000**	2018 $'000
Revenue from contracts with customers within HKFRS 15		
Sale of goods (recognised at a point in time)	**3,083,904**	3,276,800
Other revenue		
Interest income	**24,918**	28,200
Dividend income from financial investments	**462**	439
Government grants	**13,214**	7,450
Sales of scrap materials	**4,674**	4,236
Sundry income	**4,404**	6,384
	47,672	46,709
Other net loss		
Fair value gain/(loss) on financial assets measured at FVPL	**179**	(70)
Gain on bargain purchase (note 25)	**–**	7,013
Loss on disposal of property, plant and equipment	**(4,139)**	(1,706)
Net foreign exchange loss	**(17,376)**	(2,789)
Net realised gain/(loss) on derivative financial instruments not qualified as hedges	**521**	(46,258)
Others	**(357)**	1,247
	(21,172)	(42,563)

5 Expenses by nature

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

	Note	2019 $'000	2018 $'000
Depreciation#	10		
– Owned properties, plant and equipment		**106,025**	100,888
– Other properties leased for own use*		**12,843**	–
– Land use rights		**3,039**	2,696
		121,907	103,584
Staff cost#			
– Salaries, allowances, bonus and benefits in kind		**675,898**	787,467
– Pension costs – defined contribution plans		**47,945**	54,591
– Share-based payments		**5,030**	7,938
		728,873	849,996
Amortisation of intangible assets#		**1,089**	1,307
Auditor's remuneration			
– Audit services		**2,487**	2,502
– Non-audit services (included tax matters, review and other reporting services)		**372**	548
Directors' emoluments	7(a)	**15,031**	13,344
Lease charges for short-term leases		**5,646**	–
Operating lease charges in respect of land and buildings under HKAS 17*		**–**	21,207
Loss allowance of trade receivables, net	26(c)	**1,217**	602
Cost of sales#	14(b)	**2,558,284**	2,907,463

Cost of sales include $631,532,000 (2018: $745,226,000) relating to staff costs and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above.

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

6 Finance costs

	2019 $'000	2018 $'000
Interest on bank borrowings (note 16(c))	**5,036**	4,558
Interest on lease liabilities (note 16(c))	**659**	–
	5,695	4,558

7 Emoluments for directors and management

(a) Directors' emoluments

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

	Fees $'000	Salaries, allowances and benefits in kind $'000	Employer's contribution to pension scheme $'000	Discretionary bonus $'000	Share-based payments $'000	Total $'000
Year ended 31 December 2019						
Executive directors:						
Yum Chak Ming, Matthew#	-	5,044	233	2,574	1,831	9,682
Sung Chee Keung	-	1,955	90	540	714	3,299
	-	6,999	323	3,114	2,545	12,981
Non-executive directors:						
Yam Hon Ming, Tommy	250	-	-	-	-	250
Hirofumi Hori	250	-	-	-	-	250
Sadatoshi Inoue[1]	99	-	-	-	-	99
Masashi Nakashima[2]	151	-	-	-	-	151
Yoshihisa Suzuki	250	300	-	-	-	550
	1,000	300	-	-	-	1,300
Independent non-executive directors:						
Yap, Alfred Donald	250	-	-	-	-	250
Luk Koon Hoo	250	-	-	-	-	250
Lo Chi Hong	250	-	-	-	-	250
	750	-	-	-	-	750
	1,750	7,299	323	3,114	2,545	15,031

7 Emoluments for directors and management (continued)

(a) Directors' emoluments (continued)

	Fees $'000	Salaries, allowances and benefits in kind $'000	Employer's contribution to pension scheme $'000	Discretionary bonus $'000	Share-based payments $'000	Total $'000
Year ended 31 December 2018						
Executive directors:						
Yum Chak Ming, Matthew[#]	–	4,968	230	–	2,915	8,113
Sung Chee Keung	–	1,932	89	39	1,135	3,195
	–	6,900	319	39	4,050	11,308
Non-executive directors:						
Yam Hon Ming, Tommy	248	–	–	–	–	248
Hirofumi Hori	248	–	–	–	–	248
Sadatoshi Inoue	248	–	–	–	–	248
Yoshihisa Suzuki	248	300	–	–	–	548
	992	300	–	–	–	1,292
Independent non-executive directors:						
Yap, Alfred Donald	248	–	–	–	–	248
Luk Koon Hoo	248	–	–	–	–	248
Lo Chi Hong	248	–	–	–	–	248
	744	–	–	–	–	744
	1,736	7,200	319	39	4,050	13,344

[#] Chairman

[1] Resigned on 24 May 2019

[2] Appointed on 24 May 2019

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

7 Emoluments for directors and management (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included two (2018: two) executive directors. Their emoluments are reflected in the analysis presented in note 7(a). The aggregate of the emoluments in respect of the remaining three (2018: three) individuals during the year are as follows:

	2019	2018
	$'000	$'000
Salaries, allowances and benefits in kind	**7,048**	6,980
Pension costs – defined contribution plans	**217**	221
Discretionary bonus	**3,262**	–
Share-based payments	**2,188**	3,420
	12,715	10,621

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

	Number of individuals	
	2019	2018
$3,000,001 – $3,500,000	**–**	1
$3,500,001 – $4,000,000	**1**	2
$4,000,001 – $4,500,000	**1**	–
$4,500,001 – $5,000,000	**1**	–
	3	3

(c) Senior management remuneration by band

Senior management remuneration by band included two (2018: two) executive directors:

	Number of individuals	
	2019	2018
$2,000,000 and below	**2**	4
$2,000,001 – $3,000,000	**5**	3
$3,000,001 – $4,000,000	**2**	4
Above $4,000,000	**3**	1
	12	12

8 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2019 **$'000**	2018 $'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	60
Current tax – PRC Income Tax		
Provision for the year	**20,627**	7,082
(Over)/under-provision in respect of prior years	**(1,293)**	103
	19,334	7,185
Deferred tax		
Origination and reversal of temporary differences (Note 20(b))	**458**	(12,789)
	19,792	(5,544)

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries in Hong Kong have either sustained losses for tax purpose or their unused tax losses were sufficient to cover their estimated assessable profits for the year ended 31 December 2019. The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

PRC Income Tax represents PRC Corporate Income Tax calculated at 25% (2018: 25%) and PRC withholding tax at the applicable rates. Pursuant to the income tax rules and regulations, provision for PRC withholding tax on dividend income is calculated based on 5% (2018: 5%) of the dividend income from subsidiaries in the PRC.

8 Income tax in the consolidated income statement (continued)

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

	2019 **$'000**	2018 $'000
Profit/(loss) before income tax	**88,075**	(77,688)
Notional tax on profit/(loss) before income tax, calculated at the rates applicable to profits in the countries concerned	**26,109**	(14,792)
Tax effect of non-deductible expenses	**4,808**	7,706
Tax effect of non-taxable income	**(6,693)**	(7,336)
Tax effect of unused tax losses not recognised during the year	**4,551**	10,054
Tax effect of tax losses recognised in prior years but reversed in current year	**–**	417
Tax effect of utilisation of previously unrecognised tax losses	**(3,479)**	(1,371)
Tax effect of recognition of other previously unrecognised temporary differences	**–**	(914)
Withholding tax on earnings remitted/expected to be remitted by PRC subsidiaries	**(2,870)**	675
(Over)/under provision in prior years	**(1,293)**	103
Others	**(1,341)**	(86)
Actual tax expense/(credit)	**19,792**	(5,544)

9 Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of $75,753,000 (2018: loss of $74,518,000) and the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company under the Share Award Scheme.

	2019	2018
Profit/(loss) attributable to equity shareholders of the Company ($'000)	**75,753**	(74,518)
Weighted average number of ordinary shares in issue ('000)	**907,865**	907,865
Weighted average number of own held shares for Share Award Scheme ('000)	**(11,148)**	(14,364)
Weighted average number of ordinary shares in issue for calculation of basic earnings/(loss) per share ('000)	**896,717**	893,501
Basic earnings/(loss) per share (HK cents per share)	**8.4**	(8.3)

9 Earnings/(loss) per share (continued)

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the adjusted weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: shares repurchased for the purpose of Share Award Scheme. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the outstanding shares to be granted.

For the year ended 31 December 2019, the diluted earnings per share is calculated as follow:

	2019
Profit attributable to equity shareholders ($'000)	**75,753**
Weighted average number of ordinary shares in issue ('000)	**896,717**
Effect of deemed issue of shares under the Company's Share Award Scheme ('000)	**8,321**
Weighted average number of ordinary shares (diluted) at 31 December ('000)	**905,038**
Diluted earnings per share (HK cents per share)	**8.4**

For the year ended 31 December 2018, the diluted and basic loss per share were the same as the ordinary shares repurchased for the Share Award Scheme are anti-dilutive to the loss per share.

10 Property, plant and equipment

(a) Reconciliation of carrying amount

	Land use rights $'000	Ownership interests in buildings $'000	Plant and machinery $'000	Motor vehicles $'000	Furniture, fixtures and equipment $'000	Properties under construction $'000	Total $'000
Year ended 31 December 2018							
Net book value at 1 January 2018	63,251	392,005	661,146	9,168	31,913	5,699	1,163,182
Additions	–	2,103	81,736	2,969	9,011	26,740	122,559
Transfer from deposits for acquisition of non-current assets	–	–	56,864	–	2,782	38	59,684
Transfer from properties under construction	–	871	–	–	–	(871)	–
Acquisition of a subsidiary company (note 25)	17,898	9,827	10,375	362	684	–	39,146
Disposals/write-offs	–	–	(3,773)	(369)	(537)	–	(4,679)
Depreciation (note 5)	(2,696)	(19,290)	(72,470)	(2,983)	(6,145)	–	(103,584)
Exchange differences	(2,934)	(9,285)	(13,581)	(170)	(295)	(14)	(26,279)
Net book value at 31 December 2018	75,519	376,231	720,297	8,977	37,413	31,592	1,250,029
At 31 December 2018:							
Cost	121,858	673,311	1,913,885	34,559	138,745	31,592	2,913,950
Accumulated depreciation	(46,339)	(297,080)	(1,193,588)	(25,582)	(101,332)	–	(1,663,921)
Net book value	75,519	376,231	720,297	8,977	37,413	31,592	1,250,029

10 Property, plant and equipment (continued)

(a) Reconciliation of carrying amount (continued)

	Land use rights $'000	Ownership interests in buildings $'000	Other properties leased for own use $'000	Plant and machinery $'000	Motor vehicles $'000	Furniture, fixtures and equipment $'000	Properties under construction $'000	Total $'000
Year ended 31 December 2019								
Net book value at 31 December 2018	75,519	376,231	-	720,297	8,977	37,413	31,592	1,250,029
Impact on initial application of HKFRS 16 (note)	-	-	17,132	-	-	-	-	17,132
Net book value at 1 January 2019	75,519	376,231	17,132	720,297	8,977	37,413	31,592	1,267,161
Additions	11,019	36,169	7,249	43,775	1,587	8,162	8,603	116,564
Transfer from deposits for acquisition of non-current assets	-	363	-	46,191	-	75	1,664	48,293
Transfer from properties under construction	-	8,706	-	-	-	1,092	(9,798)	-
Disposals/write-offs	-	(1,492)	-	(10,294)	(11)	(170)	-	(11,967)
Depreciation (note 5)	(3,039)	(20,468)	(12,843)	(75,441)	(2,535)	(7,581)	-	(121,907)
Exchange differences	(986)	(3,894)	(3)	(6,895)	(43)	(133)	(2)	(11,956)
Net book value at 31 December 2019	82,513	395,615	11,535	717,633	7,975	38,858	32,059	1,286,188
At 31 December 2019:								
Cost	131,480	708,012	24,376	1,805,098	29,093	144,079	32,059	2,874,197
Accumulated depreciation	(48,967)	(312,397)	(12,841)	(1,087,465)	(21,118)	(105,221)	-	(1,588,009)
Net book value	82,513	395,615	11,535	717,633	7,975	38,858	32,059	1,286,188

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See note 1(c).

10 Property, plant and equipment (continued)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets, carried at depreciated cost, by class of underlying asset is as follows:

	Note	**31 December 2019 $'000**	1 January 2019 $'000
Land use rights, with remaining lease term between 10–50 years, situated in	(i)		
– Hong Kong		**14,166**	14,706
– PRC		**57,489**	60,813
– Vietnam		**10,858**	–
		82,513	75,519
Other properties leased for own use	(ii)	**11,535**	17,132
		94,048	92,651

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 $'000	2018 $'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights	**3,039**	2,696
Other properties leased for own use	**12,843**	–
	15,882	2,696
Interest on lease liabilities (note 6)	**659**	–
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**5,646**	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	**–**	21,207

10 Property, plant and equipment (continued)

(b) Right-of-use assets (continued)

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

During the year, additions to right-of-use assets were $18,268,000. Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 16(d) and 19, respectively.

(i) Ownership interests in land use rights

The Group holds land for its manufacturing facilities and office premises. The Group is the registered owner of these leasehold lands, including the whole or part of undivided share in the land. Lump sum payments were made upfront to acquire these leasehold lands from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its warehouses, office and staff quarters through tenancy agreements. The leases typically run for an initial period of one to two years.

11 Investments in subsidiaries

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

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued and fully paid up shares/ registered capital	Proportion of ordinary shares directly held by Company	Proportion of ordinary shares held by the Group	Proportion of ordinary shares held by non-controlling interests
Hung Hing Off-Set Printing Company Limited	Hong Kong/ Limited liability company	Production and trading of paper products and carton boxes/ Hong Kong	100 ordinary shares	100%	100%	–
Sun Hing Paper Company Limited	Hong Kong/ Limited liability company	Paper trading/Hong Kong	100 ordinary shares	100%	100%	–
Hung Hing Printing (China) Company Limited §§	The PRC/ Limited liability company	Production and colour printing of paper products/The PRC	$566,000,000	–	100%	–
Tai Hing Paper Products Company, Limited	Hong Kong/ Limited liability company	Trading of corrugated cartons boxes/ Hong Kong	100 ordinary shares	100%	100%	–
Beluga Limited	Hong Kong/ Limited liability company	Design and production of "print + digital" products/Hong Kong	2 ordinary shares	100%	100%	–
Toppwork Limited	Hong Kong/ Limited liability company	Professional services/Hong Kong	10,000 ordinary shares	100%	100%	–
Stem Plus Limited	Hong Kong/ Limited liability company	Trading and marketing/Hong Kong	21,850 ordinary shares	–	51%	49%
Zhongshan Hung Hing Printing & Packaging Company Limited §	The PRC/ Limited liability company	Printing and manufacturing of paper cartons/The PRC	USD20,000,000	–	71%	29%
South Gain Enterprises Limited	Hong Kong/ Limited liability company	Selling and purchasing agent /Hong Kong	1,700,000 ordinary shares	–	71%	29%
Po Hing Packaging (Shenzhen) Company Limited §§	The PRC/ Limited liability company	Printing and manufacturing of paper cartons/The PRC	USD11,200,000	–	100%	–
Zhongshan South Gain Paper Products Company Limited §§	The PRC/ Limited liability company	Printing and manufacturing of paper cartons/The PRC	USD15,000,000	–	71%	29%
Hung Hing Packaging (Wuxi) Company Limited §§	The PRC/ Limited liability company	Production and colour printing of paper products/The PRC	USD31,050,000	100%	100%	–
Hung Hing Printing (Heshan) Company Limited §§	The PRC/ Limited liability company	Production and colour printing of paper products/The PRC	$630,600,000	–	100%	–
Jun Hing Company Limited §§	The PRC/ Limited liability company	Paper trading/The PRC	$19,200,000	–	100%	–
Jun Hing Paper (Shenzhen) Company Limited §§	The PRC/ Limited liability company	Paper trading/The PRC	RMB20,000,000	–	100%	–

11 Investments in subsidiaries (continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued and fully paid up shares/ registered capital	Proportion of ordinary shares directly held by Company	Proportion of ordinary shares held by the Group	Proportion of ordinary shares held by non-controlling interests
Guangdong Lianhe Packaging Company Limited §§	The PRC/ Limited liability company	Printing and manufacturing of paper cartons/The PRC	USD16,880,000	–	100%	–
HH Dream Printing Company Limited	Vietnam/ Limited liability company	Printing and manufacturing of paper cartons/Vietnam	VND230,000,000,000	–	90.5%	9.5%

§ Sino-foreign equity joint venture
§§ Wholly foreign-owned enterprise

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

	South Gain Enterprises Limited Sub-group		**Zhongshan Hung Hing Printing & Packaging Company Limited**	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
NCI percentage	**29%**	29%	**29%**	29%
Current assets	**165,223**	223,156	**113,010**	141,503
Non-current assets	**109,622**	121,041	**211,590**	210,491
Current liabilities	**(55,468)**	(101,762)	**(99,116)**	(105,194)
Non-current liabilities	**(6,982)**	(8,990)	**(5,972)**	(9,493)
Net assets	**212,395**	233,445	**219,512**	237,307
Carrying amount of NCI	**61,594**	67,699	**63,658**	68,819
Revenue	**229,539**	314,139	**184,905**	233,188
(Loss)/profit for the year	**(9,145)**	1,887	**(10,483)**	6,109
Total comprehensive income	**(13,399)**	(4,714)	**(17,795)**	(5,350)
(Loss)/profit allocated to NCI	**(2,652)**	547	**(3,040)**	1,772
Dividend paid to NCI	**(2,218)**	–	**–**	–
Cash flows from operating activities	**24,567**	(2,435)	**(26,986)**	44,040
Cash flows from investing activities	**(3,992)**	3,919	**(25,602)**	(40,458)
Cash flows from financing activities	**(35,870)**	6,276	**52,808**	(5,989)

12 Interest in an associate

	2019 $'000	2018 $'000
Share of net assets of an associate	**1,287**	1,614
Goodwill	**9,695**	9,695
	10,982	11,309

In December 2018, the Group invested in 10% of the equity interest in Guangzhou Honghai Enterprise Co., Limited ("Honghai"), which was established in the PRC, at a consideration of RMB10,000,000 (equivalent to $11,309,000). The Group has 20% voting right in the board of directors of Honghai. Accordingly, the directors consider the Group has significant influence over Honghai and account for its investment as associate. Honghai's principal activity is providing innovative printing services.

The associate is unlisted and its quoted market price is not available. The associate is accounted for using equity method in the consolidated financial statements.

13 Financial investments

	2019 $'000	2018 $'000
Financial assets designated at FVOCI (non-recycling)		
Unlisted equity investments	**46,789**	97,924
Hong Kong listed equity investments, at quoted market price	**14,035**	13,688
	60,824	111,612
Financial assets measured at FVPL		
Unlisted investments	**7,850**	–
Club debentures	**–**	718
	7,850	718
	68,674	112,330

14 Inventories

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

	2019 **$'000**	2018 $'000
Raw materials*	**351,707**	385,429
Work in progress	**68,055**	67,532
Finished goods	**66,888**	87,999
	486,650	540,960
Less: Write-down of inventories	**(13,116)**	(12,992)
	473,534	527,968

* At 31 December 2019, $94,509,000 (2018: $75,030,000) of raw materials were designated for paper trading business.

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

	2019 **$'000**	2018 $'000
Carrying amount of inventories sold	**2,558,161**	2,909,847
Write down/(reversal of write-down) of inventories, net	**123**	(2,384)
	2,558,284	2,907,463

The reversal of write-down of inventories made in 2018 arose due to an increase in the estimated net realisable value of raw materials as a result of increase in the market price of paper.

15 Trade and other receivables

	2019 $'000	2018 $'000
Trade receivable	**794,951**	876,392
Less: loss allowance (note 26(c))	**(9,872)**	(9,292)
	785,079	867,100
Trade receivable due from related parties	**101**	577
Total trade receivable, net	**785,180**	867,677
Bills receivable	**11,573**	5,551
Prepayment, deposits and other receivables	**83,145**	105,864
	879,898	979,092

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

(a) Ageing analysis

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

	2019 $'000	2018 $'000
1-30 days	**300,744**	345,791
31-60 days	**161,661**	187,504
61-90 days	**119,248**	124,445
Over 90 days	**203,527**	209,937
	785,180	867,677

Trade receivable are normally due within 30 to 90 days from the date of billing. Further details on the Group's credit policy are set out in note 26(c).

16 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	2019 $'000	2018 $'000
Cash at banks and on hand	**1,012,293**	989,842
Less: time deposits with original maturity over three months	**(21,475)**	(5,885)
Cash and cash equivalents in statement of cash flows	**990,818**	983,957

16 Cash and cash equivalents (continued)

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

	Note	2019 $'000	2018 (Note) $'000
Profit/(loss) before income tax		**88,075**	(77,688)
Adjustments for:			
Interest income	4	**(24,918)**	(28,200)
Net foreign exchange		**(4,087)**	(10,945)
Dividend income from financial investments	4	**(462)**	(439)
Fair value (gain)/loss on financial assets measured at FVPL	4	**(179)**	70
Gain on bargain purchase	4	**–**	(7,013)
Loss on disposal of property, plant and equipment	4	**4,139**	1,706
Net realised (gain)/loss on derivative financial instruments not qualified as hedges	4	**(521)**	46,258
Depreciation	5	**121,907**	103,584
Amortisation of intangible assets	5	**1,089**	1,307
Loss allowance of trade receivables, net	5	**1,217**	602
Finance costs	6	**5,695**	4,558
Write down/(reversal of write-down) of inventories, net	14	**123**	(2,384)
Restricted share award scheme expenses	22	**7,575**	11,988
Share of loss of an associate		**351**	–
		200,004	43,404
Changes in working capital:			
Decrease/(increase) in inventories		**54,310**	(12,801)
Decrease/(increase) in trade and other receivables		**96,440**	(25,078)
(Decrease)/increase in trade and other payables		**(97,635)**	14,196
Cash generated from operations		**253,119**	19,721

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Previously, cash payments under operating leases made by the Group as a lessee of $21,207,000 were classified as operating activities in the consolidated statement of cash flows. Under HKFRS 16, except for short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element (see note 16(c)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to HKFRS 16 are set out in 1(c).

16 Cash and cash equivalents (continued)

(c) Reconciliation of liabilities arising from financing activities

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

	Bank borrowings (Note 18)		Lease liabilities (Note 19)	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
At 1 January	**131,000**	207,752	**–**	–
Impact on initial application of HKFRS 16 (note 1(c))	**–**	–	**17,132**	–
Changes from financing cash flows:				
Capital element of lease rentals paid	**–**	–	**(11,694)**	–
Interest element of lease rentals paid	**–**	–	**(659)**	–
Proceeds from bank borrowings	**145,343**	24,088	**–**	–
Repayments of bank borrowings	**(142,442)**	(100,840)	**–**	–
Interest paid	**(5,006)**	(4,615)	**–**	–
Total changes from financing cash flows	**(2,105)**	(81,367)	**(12,353)**	–
Other changes:				
Increase in lease liabilities from entering new leases during the period	**–**	–	**7,249**	–
Interest expenses (note 6)	**5,036**	4,558	**659**	–
(Increase)/decrease in interest payable	**(30)**	57	**–**	–
Total other changes	**5,006**	4,615	**7,908**	–
At 31 December	**133,901**	131,000	**12,687**	–

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balance at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See notes 1(c) and 16(b).

16 Cash and cash equivalents (continued)

(d) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2019 $'000	2018 $'000
Within operating cash flows	**5,646**	21,207
Within investing cash flows	**11,019**	–
Within financing cash flows	**12,353**	–
	29,018	21,207

Note: As explained in the note 16(b), the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

	2019 $'000	2018 $'000
Lease rentals paid	**17,999**	21,207
Acquisition of land use rights	**11,019**	–
	29,018	21,207

17 Trade and other payables

	2019 $'000	2018 $'000
Trade payable	**159,252**	164,988
Trade payable due to related parties	**196**	301
Total trade payable	**159,448**	165,289
Bills payable (note 17(b))	**11,889**	48,248
Other payable and accrued liabilities (note 17(c))	**208,460**	266,198
	379,797	479,735

Except for the amounts of $1,432,000 (2018: $2,037,000), all of the remaining balances of trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

17 Trade and other payables (continued)

(a) The aging analysis of trade payable at the end of the reporting period, based on the invoice date, is as follows:

	2019	2018
	$'000	$'000
1-30 days	**122,595**	117,172
31-60 days	**26,077**	31,559
61-90 days	**2,321**	5,487
Over 90 days	**8,455**	11,071
	159,448	165,289

(b) At 31 December 2019, the bills payable of $11,210,000 (2018: $27,777,000) are secured by the pledged time deposits of $86,186,000 (2018: $97,244,000).

(c) At 31 December 2019, the balances include contract liabilities of $22,315,000 (2018: $47,898,000) represents billings in advance of performance in sales. When the Group receives a deposit before the delivery of products in its sales activity, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the sales exceeds the amount of the deposit.

Contract liabilities of $47,898,000 at the beginning of the year is recognised as revenue during the year and contract liabilities of $22,315,000 was recognised at 31 December 2019 as a result of billing in advance of goods delivery.

18 Bank borrowings

	Effective interest rate		Maturity			
	2019	2018	**2019**	2018	**2019 $'000**	2018 $'000
Current						
Bank loans – guaranteed	**3%**	3%	**2020**	2019	**87,901**	24,000
Non-current						
Bank loans – guaranteed	**3%**	3%	**2021**	2020-2021	**46,000**	107,000
Total bank loans					**133,901**	131,000

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

The Group has bank loans and trade facilities of $672,000,000 (2018: $722,286,000), of which $133,901,000 (2018: $131,000,000) had been utilised as at the end of the reporting period.

The bank loans are subject to certain covenants and the Group has not breached any borrowing limits or covenants on any of its banking facilities. Further details of the Group's management of liquidity risk are set out in note 26(e).

19 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current reporting period and at the date of transition to HKFRS 16:

	31 December 2019		1 January 2019 (Note)	
	Present value of the minimum lease payments $'000	**Total minimum lease payments $'000**	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within 1 year	**7,815**	**8,205**	11,760	12,853
After 1 year but within 2 years	**2,027**	**2,180**	5,369	4,884
After 2 years but within 5 years	**2,845**	**2,990**	3	3
	4,872	**5,170**	5,372	4,887
	12,687	**13,375**	17,132	17,740
Less: total future interest expenses		**(688)**		(608)
Present value of lease liabilities		**12,687**		17,132

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in note 1(c).

20 Income tax in the consolidated statement of financial position

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

	2019 **$'000**	2018 $'000
Provision for Hong Kong profits tax for the year	**–**	60
Provisional profits tax paid	**–**	(21)
	–	39
Balance of profits tax payable/(recoverable) relating to prior years	**54**	(15)
Taxation outside Hong Kong – PRC corporate income tax payable	**18,675**	4,396
	18,729	4,420
Representing:		
Income tax recoverable	**–**	(108)
Income tax payable	**18,729**	4,528
	18,729	4,420

20 Income tax in the consolidated statement of financial position (continued)

(b) Deferred tax assets and liabilities recognised:

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

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

	Tax losses	Differences between depreciation allowances and related depreciation	Credit loss allowance of trade receivables	Withholding tax	Other temporary differences	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax arising from:						
At 1 January 2018	(16,319)	67,246	(2,009)	9,325	(12,394)	45,849
Charged/(credited) to profit or loss (note 8(a))	(10,507)	(1,026)	4	210	(1,470)	(12,789)
Acquisition of a subsidiary company (note 25)	(1,105)	1,391	–	–	(1,608)	(1,322)
Exchange differences	264	(1,851)	56	(437)	293	(1,675)
At 31 December 2018	(27,667)	65,760	(1,949)	9,098	(15,179)	30,063
Charged/(credited) to profit or loss (note 8(a))	4,441	(90)	(117)	(3,247)	(529)	458
Exchange differences	64	(804)	27	(141)	113	(741)
At 31 December 2019	(23,162)	64,866	(2,039)	5,710	(15,595)	29,780

20 Income tax in the consolidated statement of financial position (continued)

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

(ii) Reconciliation to the consolidated statement of financial position

	2019 **$'000**	2018 $'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(19,101)**	(23,002)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**48,881**	53,065
	29,780	30,063

(c) Deferred tax assets and liabilities not recognised

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

	2019 **$'000**	2018 $'000
Within 1 year	**–**	2,857
More than 1 year but within 5 years	**33,362**	29,844
Do not expire under current tax legislation	**96,313**	93,624
	129,675	126,325

The directors are of opinion that it is not probable that future taxable profits against which the losses above can be utilised will be available in the relevant tax jurisdiction and entity.

Deferred tax liabilities of $nil (2018: $6,644,000) have not been recognised at 31 December 2019 for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries established in the PRC.

21 Capital, reserves ad dividends

(a) Movements in components of equity

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

	Share capital $'000	Other capital reserves $'000	Financial assets at FVOCI reserve (non-recycling) $'000	Equity compensation reserves $'000	Retained earnings $'000	Total $'000
At 1 January 2018	1,652,854	(23,479)	8,707	6,508	1,425,521	3,070,111
Changes for the year						
Total comprehensive income for the year	–	–	–	–	(24,648)	(24,648)
Dividends approved in respect of the previous year (note 21(b)(ii))	–	–	–	–	(272,360)	(272,360)
Dividends declared in respect of the current year (note 21(b)(i))	–	–	–	–	(27,236)	(27,236)
Purchase of shares for Share Award Scheme (note 22)	–	(6,341)	–	–	–	(6,341)
Shares vested and allotted under Share Award Scheme (note 22)	–	5,108	–	(5,108)	–	–
Equity compensation expenses (note 22)	–	–	–	11,988	–	11,988
At 31 December 2018	1,652,854	(24,712)	8,707	13,388	1,101,277	2,751,514
At 1 January 2019	**1,652,854**	**(24,712)**	**8,707**	**13,388**	**1,101,277**	**2,751,514**
Changes for the year						
Total comprehensive income for the year	**-**	**-**	**(40,344)**	**-**	**740**	**(39,604)**
Dividends approved in respect of the previous year (note 21(b)(ii))	**-**	**-**	**-**	**-**	**(63,551)**	**(63,551)**
Dividends declared in respect of the current year (note 21(b)(i))	**-**	**-**	**-**	**-**	**(27,236)**	**(27,236)**
Shares vested and allotted under Share Award Scheme (note 22)	**-**	**8,823**	**-**	**(8,823)**	**-**	**-**
Equity compensation expenses (note 22)	**-**	**-**	**-**	**7,575**	**-**	**7,575**
At 31 December 2019	**1,652,854**	**(15,889)**	**(31,637)**	**12,140**	**1,011,230**	**2,628,698**

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

21 Capital, reserves ad dividends (continued)

(b) Dividends

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

	2019 **$'000**	2018 $'000
Interim dividend of HK3 cents (2018: HK3 cents) per ordinary share	**27,236**	27,236
Proposed special dividend of HK4 cents (2018: HK4 cents) per ordinary share	**36,315**	36,315
Proposed final dividend of HK3 cents (2018: HK3 cents) per ordinary share	**27,236**	27,236
	90,787	90,787

The directors recommend the payment of a special dividend of HK4 cents per ordinary share and a final dividend of HK3 cents per ordinary share. Such dividends are to be approved by the shareholders at the forthcoming Annual General Meeting of the Company to be held on 26 May 2020.

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

	2019 **$'000**	2018 $'000
Special dividend in respect of the previous financial year, approved and paid during the year, of HK4 cents (2018: HK27 cents) per ordinary share	**36,315**	245,124
Final dividend in respect of the previous financial year, approved and paid during the year, of HK3 cents (2018: HK3 cents) per ordinary share	**27,236**	27,236
	63,551	272,360

21 Capital, reserves ad dividends (continued)

(c) Share capital

	2019		2018	
	No. of shares ‘000	**$’000**	No. of shares ‘000	$’000
At 1 January and 31 December	**907,865**	**1,652,854**	907,865	1,652,854

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

The Company’s issued and fully paid shares as at 31 December 2019 included 9,264,414 shares (2018: 14,408,954 shares) held in trust by the trustee under Restricted Share Award Scheme, details of which are set out in note 22.

During the years ended 31 December 2019 and 2018, neither the Company nor any of its subsidiaries purchased any of the Company’s shares, except that the trustee of the Restricted Share Award Scheme, pursuant to the terms of the rules and trust deed of the Restricted Share Award Scheme, purchased on the Stock Exchange a total of nil (2018: 3,510,000 shares) of the Company (see note 22).

(d) Nature and purpose of reserves

(i) Legal reserves

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

(ii) Intangible asset revaluation reserve

The intangible asset revaluation reserve has been set up and is dealt with in accordance with the accounting policies in note 1(i).

21 Capital, reserves ad dividends (continued)

(d) Nature and purpose of reserves (continued)

(iii) Financial assets at FVOCI reserve (non-recycling)

The financial assets at FVOCI reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(j)).

(iv) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(g).

(e) Capital risk management

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

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

The Group monitors capital on the basis of the net debt gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (i.e. current and non-current bank borrowings as shown in the consolidated statement of financial position) less cash at bank and on hand and pledged time deposits.

During the year, the Group's strategy was to maintain the net debt gearing ratio below 30%. As at 31 December 2019 and 2018, the Group had net cash position as follows:

	2019	2018
	$'000	$'000
Cash at bank and on hand and pledged time deposits	**1,098,479**	1,087,086
Total bank borrowings (note 18)	**(133,901)**	(131,000)
	964,578	956,086

As the Group had a net cash position, the net debt gearing ratio as at 31 December 2019 was nil (2018: nil).

22 Restricted share award scheme

The Restricted Share Award Scheme (the "Scheme") was adopted by the Company on 21 December 2009 as an incentive to attract, motivate and retain employees of the Group. It will expire on 30 June 2021.

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

The awarded shares are the existing shares, which are purchased on the Stock Exchange by the independent trustee, Law Debenture Trust (Asia) Limited (the "Trustee"), with funds provided by the Company. The maximum number of shares that can be purchased by the trustee under the Scheme is limited to 2% of the shares in issue of the Company as at 1 July 2018.

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

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

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

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

During the year ended 31 December 2019, a total of nil (2018: 8,316,060) shares at a fair value of nil (2018: $1.80) per share were granted to the participants. Share based payments of $7,575,000 (2018: $11,988,000) has been recognised in the consolidated income statement as employee benefit expenses (notes 5 and 7). In 2019, a total of 5,144,540 shares (2018: 3,033,990 shares) were vested and their average purchasing fair value was $8,823,000 (2018: $5,108,000). None of the shares granted was forfeited up to 31 December 2019.

22 Restricted share award scheme (continued)

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

	2019		2018	
	Average fair value per share $	**Number of shares awarded**	Average fair value per share $	Number of shares awarded
Beginning balance		**14,384,040**		9,101,970
Granted		**–**	1.80	8,316,060
Vested	**1.72**	**(5,144,540)**	1.68	(3,033,990)
Ending balance		**9,239,500**		14,384,040

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

	Number of shares	
	2019	2018
Beginning balance	**14,408,954**	13,932,944
Purchase of shares	**–**	3,510,000
Vesting of shares	**(5,144,540)**	(3,033,990)
Ending balance	**9,264,414**	14,408,954

During the year ended 31 December 2018, the total consideration paid for the purchase of 3,510,000 shares was $6,341,000.

23 Contingent liabilities

The Group issued guarantees to a former related party for its banking facilities and $25,675,000 (2018: $26,250,000) of the banking facilities was utilised as at 31 December 2019.

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

24 Commitments

(a) Operating lease commitments

At 31 December 2018, the Group had total future aggregate minimum lease payments under non-cancellable operating leases falling due as follows:

	$'000
Not later than one year	16,714
Later than one year and not later than five years	16,004
Later than five years	39,541
	72,259

The Group is the lessee in respect of a number of office properties, warehouses and staff quarters held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 1(c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 1(l), and the details regarding the Group's future lease payments are disclosed in note 19.

(b) Capital commitments

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

	2019	2018
	$'000	$'000
Contracted for, but not provided for	**28,100**	111,434

25 Acquisition of a subsidiary company

On 20 March 2018, the Group entered into an agreement to acquire the 100% equity interest in Guangdong Lianhe Packaging Co., Ltd. ("Guangdong Lianhe Packaging"), formerly known as Guangdong Rengo Packaging Co., Ltd., a limited liability company incorporated under the laws of the PRC (the "Acquisition") at a consideration of RMB60,000,000 (equivalent to $74,627,000) in cash. The principal activity of the acquired company is printing and manufacturing of paper cartons. The Directors consider that (i) the Acquisition can be a strategic fit in setting up a multi-locations network for growth and synergy; and (ii) upon completion of the Acquisition, the Group intends to effectively manage the business of Guangdong Lianhe Packaging for efficiency saving in logistics and enhancement in service coverage to our customers. The Acquisition was completed in May 2018.

25 Acquisition of a subsidiary company (continued)

The assets and liabilities as of 31 May 2018 recognised as a result of the Acquisition are as follows:

	$'000
Property, plant and equipment	39,146
Other current assets	56,193
Cash and cash equivalents	13,356
Current liabilities	(27,055)
Net identifiable assets acquired	81,640
Less: Gain on bargain purchase	(7,013)
	74,627
Net cash outflow arising on the Acquisition:	
Cash consideration paid	74,627
Bank balances and cash acquired	(13,356)
	61,271

(i) **Acquisition-related costs**
Acquisition-related costs of $1,085,000 was included in administrative expenses in the consolidated income statement.

(ii) **Revenue and profit contribution**
Guangdong Lianhe Packaging contributed revenues of $93,543,000 and net profit of $2,450,000 to the Group for the period from 1 June 2018 to 31 December 2018. If the acquisition had occurred on 1 January 2018, consolidated revenue and consolidated loss after tax for the year ended 31 December 2018 would have been $3,335,675,000 and $69,900,000 respectively.

(iii) **Transaction with a substantial shareholder**
The seller is Rengo Co., Ltd., which is a substantial shareholder of the Company and the Acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. The Acquisition is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

26 Financial risk management and fair value of financial instruments

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, price risk and liquidity risk. The policies to mitigate each of these risks are summarised below. The board manages and monitors these risks to ensure that appropriate measures are implemented in a timely and effective manner. The Group's accounting policies in relation to derivatives are set out in note 1(k) to the financial statements.

(a) Interest rate risk

The Group's exposure to interest rate risk arises mainly from its bank deposits and bank borrowings.

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses interest rate swaps to manage its long-term bank borrowings which bear floating interest rates. Interest rate risk on bank deposits is considered immaterial.

During the year ended 31 December 2019, interest rate swaps have been entered into to achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy. At 31 December 2019, the fair value of interest rate swaps is immaterial to the Group.

At 31 December 2019, the Group had $58,000,000 (2018: $70,000,000) of the variable rate bank borrowings which effectively bear fixed interest rates as a result of the interest rate swaps.

At 31 December 2019, the net cash and bank deposits is $964,578,000 (2018: $956,086,000). The interest rate risk is not significant to the Group.

(b) Foreign currency risk

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

The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than the functional currency of the operations to which the transactions relate.

When there are significant foreign currency transactions other than the functional currencies of the major operating companies within the Group, the Group will use forward currency contracts to manage the foreign currency exposure. The forward currency contracts must be in the same currency as the hedged item. At 31 December 2019, the fair value of forward currency contract is immaterial to the Group.

26 Financial risk management and fair value of financial instruments (continued)

(b) Foreign currency risk (continued)

(i) Exposure to currency risk

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

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

	Exposure to foreign currencies (expressed in HKD)					
	2019			2018		
	RMB $'000	**HKD $'000**	**USD $'000**	RMB $'000	HKD $'000	USD $'000
Trade and other receivables	**17,619**	**174**	**16,314**	13,981	1,289	28,415
Pledged time deposits	**85,957**	**–**	**–**	97,010	–	–
Cash and cash equivalents	**400,246**	**3,746**	**65,963**	479,847	3,010	29,604
Trade and other payables	**(67,775)**	**(18)**	**(4,130)**	(89,592)	(19)	(657)
Net exposure arising from recognised assets and liabilities	**436,047**	**3,902**	**78,147**	501,246	4,280	57,362

26 Financial risk management and fair value of financial instruments (continued)

(b) Foreign currency risk (continued)

(ii) Sensitivity analysis

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

	2019		2018	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit before income tax $'000**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in loss before income tax $'000
RMB#	**5%**	**21,802**	2%	(10,025)
	(5%)	**(21,802)**	(2%)	10,025
HKD*	**5%**	**195**	2%	(86)
	(5%)	**(195)**	(2%)	86
USD*	**5%**	**3,907**	2%	(1,147)
	(5%)	**(3,907)**	(2%)	1,147

For the company and subsidiaries with functional currency as HKD

* For subsidiaries with functional currency as RMB

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2018.

26 Financial risk management and fair value of financial instruments (continued)

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to its trade receivable and deposits placed with banks. The Group has no significant concentrations of credit risk. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

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

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

Trade receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 5% (2018: 7%) and 15% (2018: 17%) of the total trade receivable was due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade and bills receivables are due within 30–90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivable at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The Group measures loss allowance on financial assets based on the past loss experience, existing market conditions as well as forward looking information at the end of each reporting period. Having considered those factors, the Group considered that there is no significant loss allowance recognised in accordance with HKFRS 9 as at 31 December 2018 and 31 December 2019, and no expected credit loss rate has therefore been disclosed.

26 Financial risk management and fair value of financial instruments (continued)

(c) Credit risk (continued)

Trade receivable (continued)

Movement in the loss allowance account in respect of trade receivable during the year is as follows:

	2019 **$'000**	2018 $'000
At 1 January	**9,292**	10,740
Acquisition of a subsidiary company	**–**	14
Impairment loss (note 5)	**1,217**	602
Amount written off as uncollectible	**(565)**	(1,881)
Exchange differences	**(72)**	(183)
At 31 December	**9,872**	9,292

The origination of new trade receivable net of those settled resulted in an increase in loss allowance contributed to the increase in the loss allowance during year ended 31 December 2019.

(d) Equity price risk

The Group is exposed to listed equity securities price risk because investments held by the Group for non-trading purpose are classified as financial investments (see note 13). The Group's listed investments are listed on the Stock Exchange of Hong Kong.

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

26 Financial risk management and fair value of financial instruments (continued)

(e) Liquidity risk

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

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

	2019					2018				
	Carrying amount $'000	**Total contractual undiscounted cash flow $'000**	**Within 1 year or on demand $'000**	**More than 1 year but within 2 years $'000**	**More than 2 years but within 5 years $'000**	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but within 2 years $'000	More than 2 years but within 5 years $'000
Bank borrowings	**133,901**	**137,039**	**90,370**	**46,669**	**-**	131,000	137,424	27,186	63,569	46,669
Trade and other payables	**352,532**	**352,532**	**352,532**	**-**	**-**	426,399	426,399	426,399	-	-
Lease liabilities	**12,687**	**13,375**	**8,205**	**2,180**	**2,990**	-	-	-	-	-
	499,120	**502,946**	**451,107**	**48,849**	**2,990**	557,399	563,823	453,585	63,569	46,669

(f) Fair value estimation

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

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

– Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

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

26 Financial risk management and fair value of financial instruments (continued)

(f) Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2019 and 2018:

	2019			2018		
	Level 1	**Level 3**	**Total**	Level 1	Level 3	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Assets						
Financial investments:						
– Club debentures	**–**	**–**	**–**	–	718	718
– Unlisted equity securities	**–**	**54,639**	**54,639**	–	97,924	97,924
– Listed equity securities	**14,035**	**–**	**14,035**	13,688	–	13,688
	14,035	**54,639**	**68,674**	13,688	98,642	112,330

(i) *Financial instruments in level 1*

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

(ii) *Financial instruments in level 3*

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

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

26 Financial risk management and fair value of financial instruments (continued)

(f) Fair value estimation (continued)

(ii) Financial instruments in level 3 (continued)

The following table presents the changes in level 3 instruments for the years ended 31 December 2019 and 2018:

	2019 Club debentures $'000	2019 Unlisted equity securities $'000	2019 Total $'000	2018 Club debentures $'000	2018 Unlisted equity securities $'000	2018 Total $'000
At 1 January	**718**	**97,924**	**98,642**	788	33,474	34,262
Payment for purchases	**-**	**-**	**-**	–	65,450	65,450
Gain/(loss) recognised in profit or loss	**179**	**-**	**179**	(70)	–	(70)
Change in fair value recognised in reserve	**-**	**(42,831)**	**(42,831)**	–	–	–
Exchange differences	**-**	**(454)**	**(454)**	–	(1,000)	(1,000)
Reclassification	**(897)**	**-**	**(897)**	–	–	–
At 31 December	**-**	**54,639**	**54,639**	718	97,924	98,642
Total gain/(loss) for the year included in profit or loss	**179**	**-**	**179**	(70)	–	(70)

27 Material related party transactions

(a) Transactions with related parties

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

	2019 $'000	2018 $'000
Sales of raw materials or finished goods to:		
A substantial shareholder	**3,201**	1,863
Parties under control of a substantial shareholder	**288**	10,058

	2019 $'000	2018 $'000
Purchases of raw materials from:		
A substantial shareholder	**824**	587

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

27 Material related party transactions (continued)

(b) Outstanding balances with related parties

Save as disclosed in notes 15 and 17, there were no outstanding balances with related parties as at 31 December 2019.

(c) Compensation of key management personnel of the Group

	2019 **$'000**	2018 $'000
Short-term employment benefits (excluding discretionary bonus)	**22,368**	22,092
Discretionary bonus	**10,337**	264
Share-based payments	**7,575**	11,988
Post-employment benefits	**811**	806
	41,091	35,150

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

The related party transactions in respect of note 27(a) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Continuing Connected Transactions" of the Directors' Report.

28 Company level statement of financial position

	2019 $'000	2018 (Note) $'000
Non-current assets		
Property, plant and equipment	**3,657**	4,094
Intangible asset	**498**	712
Financial investments	**28,903**	69,964
Investments in subsidiaries	**271,935**	271,935
Deferred tax assets	**14,470**	15,735
	319,463	362,440
Current assets		
Prepayments, deposits and other receivables	**32,306**	1,412
Amounts due from subsidiaries	**1,977,166**	1,778,808
Loans to subsidiaries	**83,072**	85,353
Cash and cash equivalents	**271,918**	541,695
	2,364,462	2,407,268
Current liabilities		
Amounts due to subsidiaries	**45,328**	13,543
Other payable and accrued liabilities	**9,800**	4,651
Lease liabilities	**99**	–
	55,227	18,194
Net current assets	**2,309,235**	2,389,074
NET ASSETS	**2,628,698**	2,751,514
CAPITAL AND RESERVES		
Share capital	**1,652,854**	1,652,854
Reserves	**975,844**	1,098,660
TOTAL EQUITY	**2,628,698**	2,751,514

Approved and authorised for issue by the board of directors on 24 March 2020.

Yum Chak Ming, Matthew
Director

Sung Chee Keung
Director

Note: The Company has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c). The impact of the adoption of HKFRS 16 to the Company level of statement of financial position is insignificant.

29 Comparative Figures

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 1(c). In addition, certain comparative figures were reclassified to conform to current year's presentation.

30 Non-adjusting event after the reporting period

The outbreak of novel coronavirus disease (COVID-19) epidemic in early 2020 has led to a series of precautionary and control measures implemented across the globe and caused disruptions to global supply chains and international trade. It may have certain impacts on the Group's business operations. The Group will pay close attention to the development of epidemic and assess its impact on the financial position, cash flows and operating results. Up to the date of these financial statements, the assessment is still in progress and the related impact could not be reasonably estimated at this stage.

31 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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