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

2013 Annual Report 年報

STOCK CODE 股份代號：0450

CONTENT

CORPORATE PROFILE

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

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

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

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

CORPORATE INFORMATION

Executive Directors	Yum Chak Ming, Matthew, Executive Chairman Sung Chee Keung
Non-Executive Directors	Shigechika Ishida Yoshitaka Ozawa Katsuaki Tanaka Yam Hon Ming, Tommy
Independent Non-Executive Directors	Lo Chi Hong Luk Koon Hoo Yap, Alfred Donald
Company Secretary	Tung Yu Biu

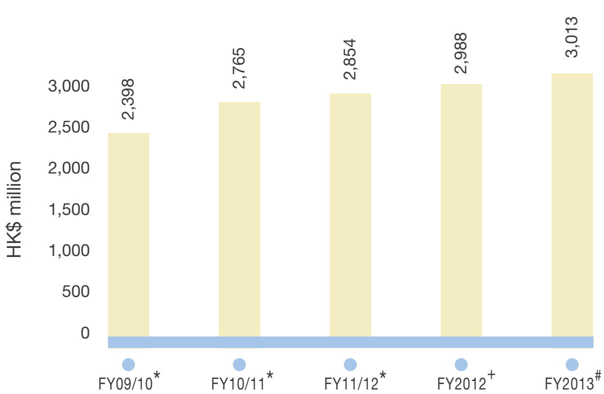
Registered Office	Hung Hing Printing Centre 17–19 Dai Hei Street Tai Po Industrial Estate New Territories, Hong Kong Tel: (852) 2664 8682 Fax: (852) 2664 2070 E-mail: info@hunghingprinting.com
Principal Bankers	The Hongkong and Shanghai Banking Corporation Limited Hang Seng Bank Limited The Bank of Tokyo-Mitsubishi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

FINANCIAL HIGHLIGHTS

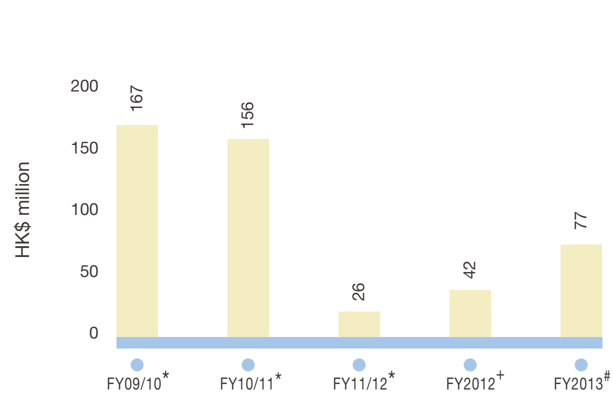
	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 (Unaudited) HK$'000	Period from 1 April to 31 December 2012 HK$'000
Revenue	**3,013,490**	2,988,257	2,406,673
Profit	**82,159**	45,260	55,907
Profit Attributable to Owners of the Company	**77,209**	42,482	53,930
Basic Earnings per Share (HK cents)	**8.5**	4.7	6.0
Dividends per Share (HK cents)			
Interim Dividend	**1.7**	N/A	3.0
Final Dividend	**5.3**	N/A	2.0
	7.0	N/A	5.0

	At 31 December 2013 HK$'000	At 31 December 2012 HK$'000
Property, Plant and Equipment	**1,307,708**	1,352,430
Net Current Assets	**1,665,887**	1,570,484
Total Assets	**3,818,042**	3,629,223
Equity Attributable to Owners of the Company	**2,753,808**	2,664,535

Revenue



Profit Attributable to Owners of the Company



* Year ended 31 March
\+ Year ended 31 December 2012 (Unaudited)
\# Year ended 31 December 2013

EXECUTIVE CHAIRMAN

YUM Chak Ming, Matthew

The Group's strong financial position, track record of reliability and excellent customer service have enabled us to continuously delight our customers with assured quality and on-time delivery, despite increasingly demanding lead times.

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is my pleasure to report the first full-year financial results for the Hung Hing Printing Group since we changed our financial year to coincide with the calendar year. In 2013, the Group delivered a solid performance with revenue of HK$3,013 million and increased profit attributable to shareholders of HK$77 million.

Commitment to delivery and customer value

The Group witnessed a change in consumer sentiment in both mainland China and export markets during the volatile economic conditions of 2013. This resulted in more frequent customer orders of smaller magnitude, with shorter lead times. This was particularly typical of orders from export markets, especially in the latter part of the year. The Group's scale of operations, operating efficiency and on-time delivery enabled us to deliver on all customer commitments and achieve stable revenues and gross profits.

Demanding client delivery schedules further accelerated the current trend of market consolidation. The Group's strong financial position – combined with forward-looking initiatives on equipment upgrades, improved productivity and staff training undertaken during preceding years – meant that we were well placed to deliver on orders with shorter lead times. The Group has already begun to witness a similar pattern of order placement in 2014.

We invested in increased automation to achieve efficiencies and were successful in reducing inventory levels to keep costs down. We remain firmly committed to good governance and operating principles and are well positioned to take advantage of local and overseas opportunities during 2014 on this basis.

Investment in the future with value-added offerings

The Group is cognizant of the latest technological developments affecting the sector and is proactively investing in innovation to add value to our product range as well as processes.

One of our initiatives during the year is the development of products that address the convergence of print and electronic reading products, which has significant potential in the printing and publishing sector. The Group successfully launched two hybrid musical 'edutainment' products for the Hong Kong market. Initial customer feedback has been positive and we will continue to develop our capabilities in order to offer a wider range of hybrid print-electronic reading products in all our markets.

Realigning our production base to enhance our competitive offering

The Group's production base in mainland China consists of facilities in Zhongshan, Shenzhen, Wuxi and Heshan. Increasing urbanization and labor costs in the larger cities on the mainland are affecting the Group's cost base. In order to remain competitive and agile for future growth, we are in the process of rebalancing our production capacity to optimize our efficiency and cost base in response to the changing macro-environment.

The Group has moved some labor-intensive projects to our large-scale facilities in Heshan, where transportation links have improved. Investments in equipment at the Heshan plant have raised our capacity for the production of corrugated cartons. We have also invested in additional production lines, and increased automation in the Shenzhen and Zhongshan plants.

We will remain open to strategically rebalancing our production base over the long term to keep pace with the changes in the macro-environment and improve efficiency and customer service.

Results and Dividends

Group revenue for 2013 grew by 1% to HK$3,013 million from HK$2,988 million in the previous year.

Profit from the Group's operating activities increased by 32% to HK$112 million. Profit attributable to equity holders of the Company increased by 82% to HK$77 million.

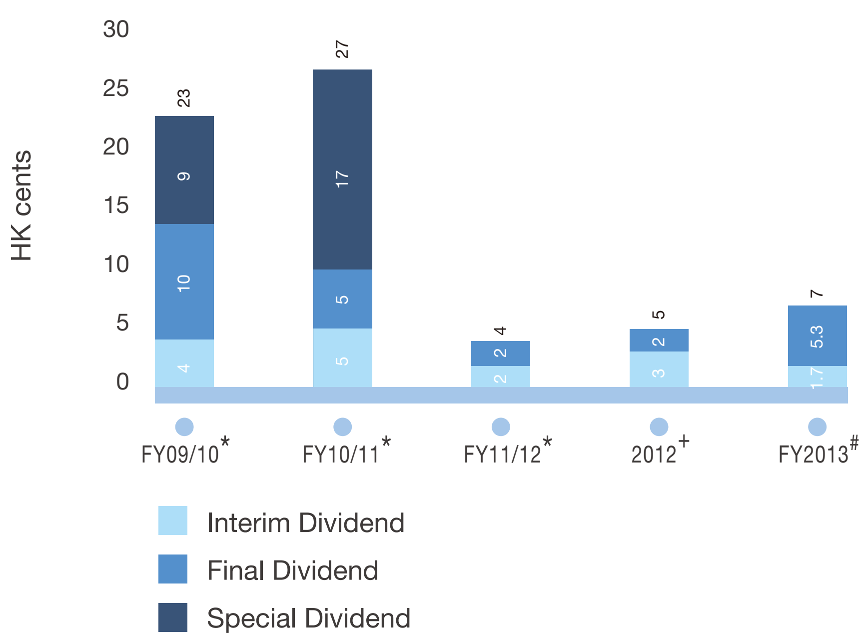
During the year the Group recognized a one-off gain of HK$17 million from partial disposal of shares in investment in paper mills.

Basic earnings per share during the year were HK8.5 cents, compared to HK4.7 cents for the previous year. The Board of Directors has proposed a final dividend of HK5.3 cents. This, together with the interim dividend of HK1.7 cents, brings the total dividend for the year to HK7 cents, compared to HK5 cents in the previous period. Subject to shareholders' approval, the dividend will be paid to shareholders whose names appeared on the Register of Members of the Company as of 13 June 2014.

Business Outlook

There are indications that a gradual recovery in domestic consumption is under way, and long-term growth opportunities in the China domestic consumer packaging and corrugated carton markets remain strong.

Dividend Per Share



* Year ended 31 March

\+ Period from 1 April to 31 December 2012

\# Year ended 31 December 2013

In our overseas markets, we expect improvements in consumer sentiment to persist in 2014 but customer orders – particularly those from the U.S. and Europe – will continue to follow a more intense cyclical pattern than in previous years with customers placing smaller orders with shorter lead times. The scope and scale of our production facilities, strong cash position and prudent inventory policies are advantageous in this regard. The Group will continue to review and enhance its cost control and efficiency measures to address seasonality.

We will progress our ongoing efforts to realign our cost structure by geographically diversifying our production base to areas with lower costs and by increasing automation at our established facilities to improve efficiency. We are investing in technology through partnerships, patents and skills to enable us to cater to technology-driven shifts that will change the competitive environment.

Prudent and transparent management practices have enabled us to end 2013 in a strong financial position despite economic and currency volatility. We will persist with our efforts to maintain and manage every aspect of our operations in line with our ethos of sustainable, partnership-based growth.

As always I take this opportunity to express my gratitude and appreciation for the talent and efforts of all our employees.

Meeting customers at Beijing Book Fair

Yum Chak Ming, Matthew
Executive Chairman

Hong Kong, 17 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

This is the first annual results report for the Hung Hing Printing Group for the full twelve-month period from 1 January to 31 December. To facilitate meaningful comparison, data for the comparable previous year (1 January to 31 December 2012) are used in our discussion below.

Compared to the same period ending 31 December 2012, the Group reported revenue growth of 1% in 2013, and significantly improved EPS (earnings per share) as well as net cash position:

- Revenues remained stable at HK$3 billion with 1% growth
- 2013 EPS (earnings per share) attributable to shareholders improved significantly by 81% to HK8.5 cents per share
- EBITDA increased by 22% to HK$216 million
- Net cash (excluding bank borrowings) as of 31 December 2013 increased by HK$230 million (up 95%) to reach HK$471 million

Demand and consumer confidence in 2013 remained soft amidst continuing global economic uncertainties. The Group was able to leverage its core competences, diversified business portfolio and economies of scale to achieve improved results. Pressures on operating environment and profitability are likely to persist in the years ahead. However, as exports stabilize and the mainland Chinese domestic market improves, the Group anticipates that a gradual recovery of the global economy is imminent.

Profit attributable to shareholders increased by 82% to HK$77 million, mainly attributable to:

(i) profit from partial disposal of equity interests in paper mill entities;

(ii) exchange gains on Renminbi forward contracts and Renminbi monetary assets; and

(iii) the absence of share of losses incurred during previous year from the paper mills, upon the re-designation of the Group's investment from associates to available-for-sale financial assets.

Together with productivity savings from automation initiatives, the Group was able to more than offset operating cost increases related to adverse currency movements, social security insurance and increases in the minimum wage.

Strength to address evolving business requirements

In 2013 the printing industry saw increasing demand for assured quality and on-time delivery, but subject to smaller and more frequent orders with shorter lead times. Hung Hing's track record of reliable, on-time delivery, economies of scale and strong customer service levels enabled the Group to continue to grow its blue-chip customer base.

During the year, the Group continued to adhere closely to the requirements of the government and its customers, conforming to high environmental, safety and ethical standards. We consistently improve on our own standards to be prepared for ever more stringent compliance requirements in the long-run.

Innovative Bridging Book technology allowing close-to-home expansion

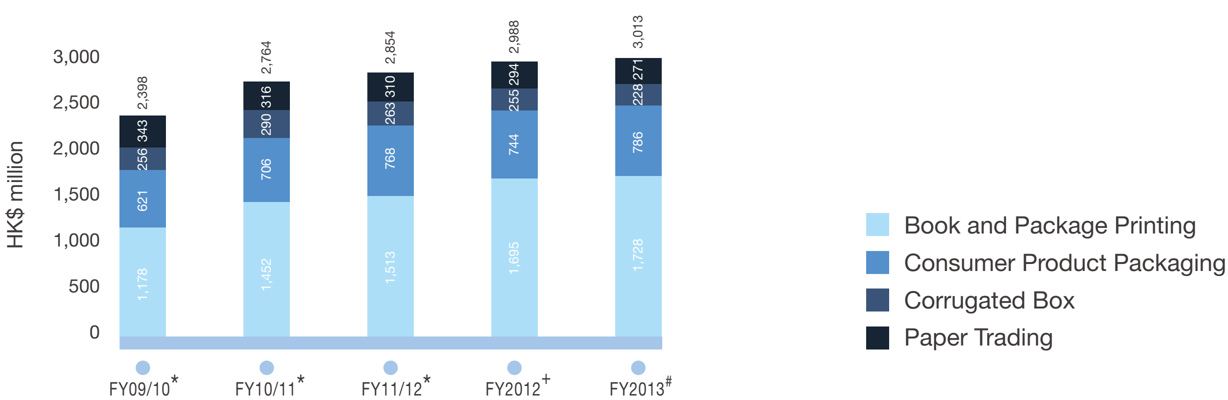
The BelugaBloo children's e-bookstore, launched in 2011, continued to expand and innovate. Leveraging the platform, the Group signed a worldwide exclusive license agreement with University of Minho of Portugal for its Bridging Book technology, which enables the development of innovative 'hybrid' combinations of paper books with electronic devices. The technology enables a unique multimedia experience without batteries or wires. The Group believes the technology will add value to its printing business.

Strong financial position

During the year under review the Group leveraged its strong liquidity position to secure higher returns and to hedge against RMB fluctuation. The strategy was successful and the Group achieved favorable exchange gain on RMB appreciation.

The Group's balance sheet remains robust with a net cash position of HK$471 million at 31 December 2013, an increase of HK$230 million from the previous year. Backed by the Group's strong cash flow and solid financial position, the Board of Directors has proposed a final dividend of HK5.3 cents per share.

Revenue by Business Unit



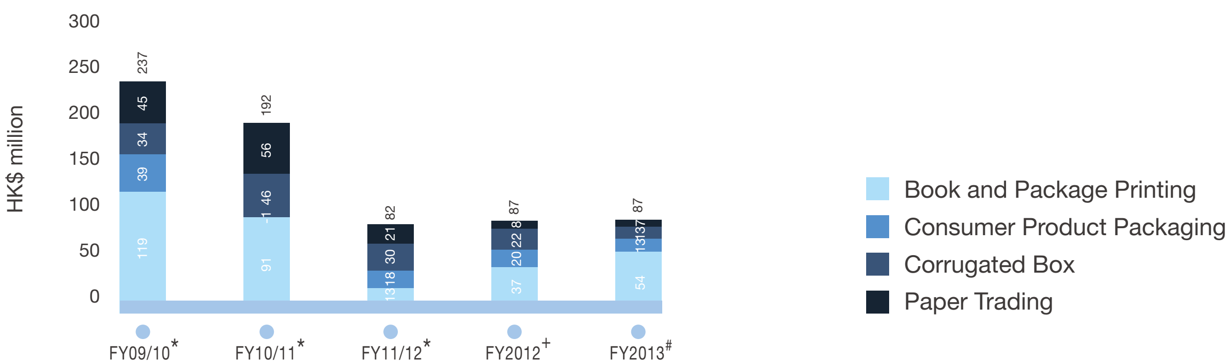
* Year ended 31 March

\+ Year ended 31 December 2012 (Unaudited)

\# Year ended 31 December 2013

Revenue by Business Unit in Year 2013

Profit Contribution by Business Unit



* Year ended 31 March
\+ Year ended 31 December 2012 (Unaudited)
\# Year ended 31 December 2013

Liquidity and Capital Resources

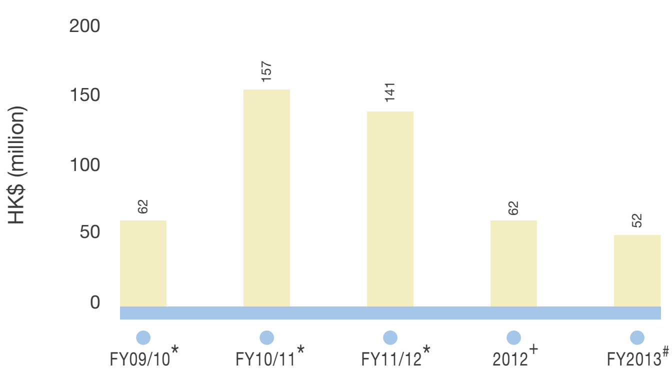
The Group's financial position continued to remain strong. As of 31 December 2013, the Group had net cash on hand (total cash net of bank borrowings) of HK$471 million, an increase of HK$230 million compared to 31 December 2012. The increase was driven by earnings growth and continued improvement in trade working capital. While trade receivables were maintained at similar levels as last year, inventory reduced by 10% and improved trade terms with suppliers have resulted in an increase in our trade payable by 27%, contributing to a net reduction in trade working capital of HK$104 million.

To mitigate the impact of Renminbi fluctuation and to hedge the Group's operating expenses in mainland China, most of the Group's cash is held in Renminbi. Of the Group's total bank deposits and cash on hand totaling HK$870 million, 89% was held in RMB, 8% in HKD, 2% in USD, and 1% in Euros and Sterling Pounds.

As of 31 December 2013, the Group had total bank borrowings of HK$399 million. The Group's gearing ratio (comparing total bank borrowings with total equity) was kept at 14% (31 December 2012: 14%). Per the loan repayment schedules in the Group's loan agreements with banks, HK$180 million is repayable within 1 year, HK$107 million is repayable within 1-2 years, and HK$112 million is repayable within 2-4 years.

The Group's bank borrowings were entirely in HKD. Of this, 94% was arranged with banks in Hong Kong with interest rate at fixed rate, HIBOR or the banks' cost of funds plus a certain mark-up. The remaining 6% was owed to banks in the PRC at interest rate with reference to the banks' cost of fund plus a certain mark-up. On average, the Group's level of borrowing was lower than in 2012 and in particular there was no Renminbi borrowing during the year. The Group's interest expenses declined by 35% to HK$7 million. The Group had unutilized bank loan and trade facilities for back up of HK$290 million and HK$490 million, respectively, as of 31 December 2013.

Capital Expenditure



* Year ended 31 March

\+ Period from 1 April to 31 December 2012

\# Year ended 31 December 2013

With the continued increases in labour costs in mainland China, the Group prepares for the future by investing in appropriate equipment to save costs and improve efficiency. During the year under review, the Group invested HK$52 million and committed an additional HK$34 million in machinery and equipment to realign our production base and strengthen automation to enhance production efficiency.

Environmental Sustainability

The Group's factories have dedicated environmental teams to identify opportunities for continuous improvement. For instance, data is collected from water and electricity sub-meters across all facilities and used to analyze usage patterns. The findings will consequently help to improve resource efficiency.

In 2013, energy and water use across the Group's manufacturing units were effectively controlled within 62,000 Mwh and 1,220,000 cubic meters respectively.

In 2013 the Group's Shenzhen factory participated in the carbon emission trade program organized by the Shenzhen environmental authority. By end of 2013, the factory scored an emission index of 0.84 against a target of 0.95 for the sector. As such, Hung Hing achieved lower carbon emissions per standard unit of value-added production.

As part of our efforts to support sustainable forestry, the Group has increased its inventory of paper made from certified sources and now offers FSC (Forest Stewardship Council) certified paper of all types for both its book and packaging printing as well as corrugated operations. During the year under review, the Group consumed over 62,000 tons of certified paper and 167,000 tons of recycled paper.

Our people

The Group has a skilled and dedicated team at both the management and worker level. We offer above-average remuneration packages and good working conditions. Remuneration packages are reviewed annually with reference to market conditions and the performance of the individual as well as the companies within the Group. As of 31 December 2013, the Group employed 10,457 employees, slightly down from 10,556 in the previous year.

Employees' health and safety is the top priority of the Group. Through training and other awareness programs, the Group's health and safety performance has steadily improved over the past five years, with total incident rate improving significantly from 0.71 in 2009 to 0.17 in 2013.

	2009	2010	2011	2012	2013
Total Incident Rate (No. of incidents per 200,000 working hours)	Apr 09 – Mar 10	Apr 10 – Mar 11	Apr 11 – Mar 12	Apr 12 – Dec 12	Jan 13 – Dec 13
Group	0.71	0.46	0.34	0.28	0.17

In 2013, employees attended over 300,000 hours of training covering health and safety, employee rights and skill development. Health and safety is also promoted through awareness campaigns and recreational activities to increase employee knowledge and participation.

BUSINESS UNIT REPORTS

The two largest business units, Book and Package Printing and Consumer Product Packaging, which combined account for over 83% of the Group's overall sales revenue, achieved moderate sales growth of 2% and 6% respectively. The other two businesses, Corrugated Box and Paper Trading, reported sales declines primarily as a result of export volatility. All businesses followed a conservative inventory strategy in response to adverse paper price adjustments during the year.

Book and Package Printing (BPP)

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

Production of folding cartons, packaging, conventional books and children's books is carried out at the Group's ISO 9001, ISO 14001 and ICTI-COBP certified plants in Shenzhen and Heshan in China's Guangdong province, and at a plant in Hong Kong. The three plants had a combined production space of 300,000 square meters and employed about 8,000 workers at the end of 31 December 2013. The business unit's client base includes many of the world's most recognized toy, cosmetics, and consumer goods producers, as well as leading international publishers.

The BPP business reported the following results:

- Revenue of HK$1,728 million, an increase of 2% from the previous year
- Profit contribution of HK$54 million, an increase of 47% or HK$17 million from previous year
- Profit contribution margin of 3%, up from 2% the previous year

Review of Operations

Book and Package Printing continued its growth trend, despite being affected by soft macro-economic conditions in the European and United Kingdom markets. The Group successfully expanded into new European territories such as Russia, France and Spain which served to offset weaker demand in other markets. Economic activities in the U.S. picked up steadily and stimulated new orders for children's and novelty book products.

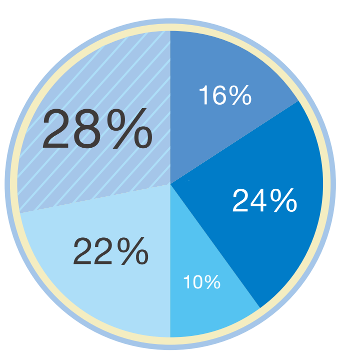
Hung Hing continued to benefit from consolidation of the print industry in southern China. In the wake of changes in environmental, safety and social compliance requirements in export markets, large publishing companies are turning to reputable suppliers. With its emphasis on high compliance standards, Hung Hing continued to be selected as a preferred supplier to major toy manufacturers and publishers.

Exports to Japan have also grown. Through a partnership with Rengo Co. Ltd., Japan, BPP supplied unique point-of-sales paper displays to Japanese clientele that required superior quality and innovative product design including skilled hand-craftsmanship.

Actions were taken to upgrade cost controls and review pricing, in particular for labor-intensive children's novelty books which demand special craftsmanship, a competitive strength of Hung Hing. However, lower customer confidence resulting in smaller order quantities, along with delays in paper deliveries from third-party suppliers impacted BPP's profitability.

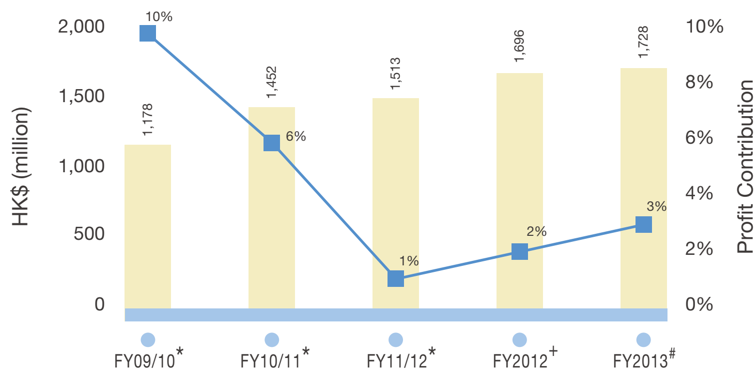
The Group is attuned to the latest technological advances, and continues to explore how they can be applied to add value to our existing product offerings. One of the initiatives undertaken during the year is the partnership with a renowned children's choral and performing arts center in Hong Kong to launch an innovative printed musical product that can interact with tablet computers to provide music-related entertainment and education to children. Combining printing and advanced technologies to create other innovative new applications and offerings will yield new business opportunities for the Group in a broad range of areas across the BPP as well as other businesses.

Revenue by Region in Year 2013



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

Revenue & Profit Contribution (in %)



* Year ended 31 March

\+ Year ended 31 December 2012 (Unaudited)

\# Year ended 31 December 2013

Consumer Product Packaging (CPP)

Hung Hing manufactures high quality packaging solutions at its production plants at Zhongshan (southern China) and Wuxi (near Shanghai). With a combined production space of 180,000 square meters and a skilled workforce of over 2,000, CPP is well positioned to capture the growing consumer market in China.

The CPP business reported the following results:

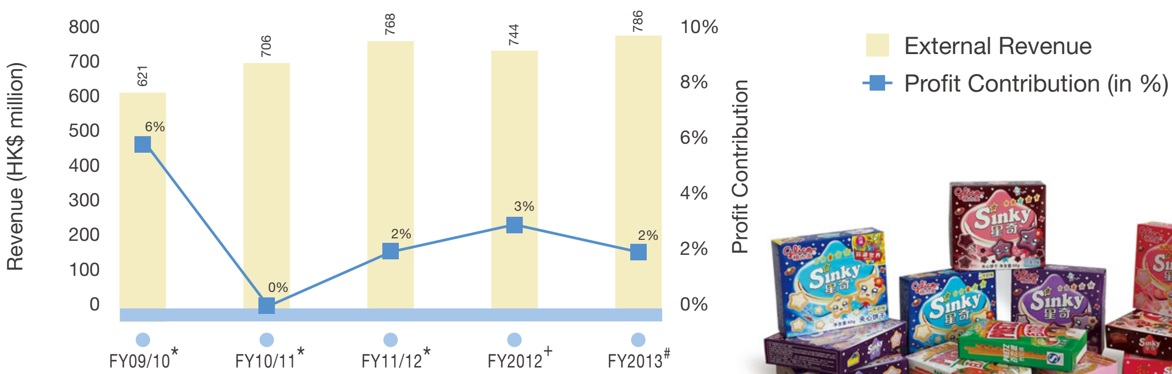
- Revenue of HK$786 million, up 6% from HK$744 million the previous year
- Profit contribution of HK$13 million, down from HK$20 million last year
- Profit contribution margin of 2%, down from 3% the previous year

Review of Operations

The large China domestic consumer packaging market continues to be highly fragmented. Certain Government measures had a short-term cooling impact on the Group's high-end luxury packaging business. Increased competition and price pressure on the mid/low-end packaging segments also affected the Group's performance. However there are indications that a gradual recovery in domestic consumption is under way, and long-term growth opportunities in the China domestic consumer packaging market remain strong.

During the year, the Group acquired a large format lamination machine and also upgraded other post-finishing equipment. The dust-free manufacturing zones in our Zhongshan and Wuxi plants render Hung Hing well positioned to meet the hygiene and quality requirements of the packaged food and personal care sectors.

Revenue & Profit Contribution (in %)



* Year ended 31 March

\+ Year ended 31 December 2012 (Unaudited)

\# Year ended 31 December 2013

Corrugated Box (CB)

Hung Hing operates a competitive corrugated box manufacturing business that supplies to a wide range of companies, including toy, food and beverage, electronics and household product manufacturers. Over 60% of the Corrugated Box business is generated from exports out of mainland China. The business operates a manufacturing facility in Shenzhen and a distribution center in Hong Kong.

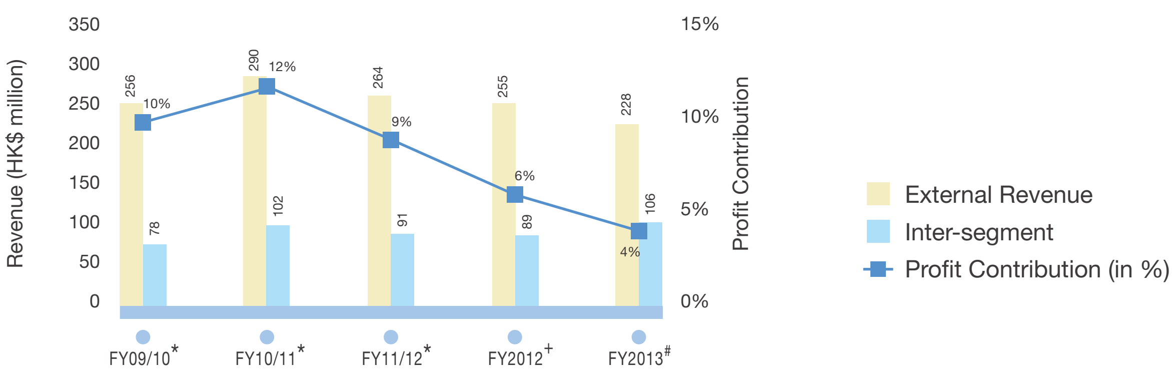
The CB business reported the following results:

- Revenue of HK$228 million, down 11% from HK$255 million the previous year
- Profit contribution of HK$13 million, down from HK$22 million the previous year
- Profit contribution margin of 4%, down from 6% the previous year

Review of Operations

The Corrugated Box business was affected by the wider slowdown in exports and softer than expected domestic consumption in mainland China. In response to weak demand and rising labor and logistics costs, the CB business placed a special focus on business development activities targeting customers with more demanding compliance requirements, which Hung Hing is well positioned to fulfill. A number of production efficiency initiatives were undertaken during the year to improve margins in the long run.

Revenue & Profit Contribution (in %)



* Year ended 31 March

\+ Year ended 31 December 2012 (Unaudited)

\# Year ended 31 December 2013

Paper Trading (PT)

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

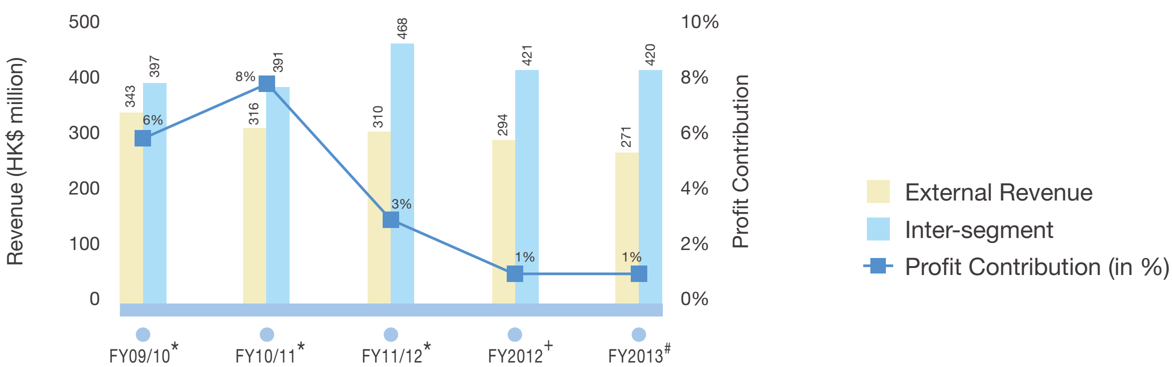
The PT business reported the following results:

- Revenue of HK$271 million, down 8% from HK$294 million the previous year
- Profit contribution of HK$7 million, down slightly from HK$8 million last year
- Profit contribution margin of 1%, similar to the previous year

Review of Operations

Over 80% of the PT business' revenues came from export manufacturers in south China, with the balance mainly coming from the China domestic market. During the year, the PT business was impacted by the decline of paper price and reduced orders from small to medium-sized customers. To diversify risk, the PT business took proactive steps to expand its customer base geographically and tighten credit management.

Revenue & Profit Contribution (in %)



* Year ended 31 March

\+ Year ended 31 December 2012 (Unaudited)

\# Year ended 31 December 2013

Investment in Paper Mill Entities

At the end of 2013, Hung Hing still had a 9.1% equity interest (net of minority interest) in the paper mill entities located in Zhongshan, which convert waste paper into corrugated medium and testliner, selling to both external customers and the corrugated operations within Hung Hing.

On 31 July 2013, Hung Hing Printing Group, among others, entered into Equity Transfer Agreements with Zhongshan Yong Fa, pursuant to which the Group agreed to dispose 7.5% of its equity interests in each of the paper mill entities to Zhongshan Yong Fa at an aggregate consideration of RMB18,179,000.

With reference to the carrying value of the paper mill entities, the Group recognized in its income statement a gain of approximately HK$17 million from the disposals, and separately more than HK$26 million as asset revaluation reserves for the remaining equity holdings. As of 31 December 2013, disposal receivable of HK$23 million was recorded as other receivables in the consolidated statement of financial position accordingly.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2013.

Principal activities

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

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

Results and dividends

The Group's profit for the year and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 44 to 132.

An interim dividend of HK1.7 cents per share was paid on 16 October 2013. The directors recommend the payment of a final dividend of HK5.3 cents per share to shareholders on the register of members on 13 June 2014. This recommendation has been incorporated in the financial statements as an allocation of retained earnings within the equity section of the statement of financial position.

Summary financial information

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

Summary financial information (Continued)

Results

	Year ended 31 December		Period from 1 April to 31 December	Year ended 31 March		
	2013	2012	2012	2012	2011	2010
	(Audited)	(Unaudited)	(Audited)	(Audited)	(Audited)	(Audited)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Continuing operations						
Revenue	**3,013,490**	2,988,257	2,406,673	2,854,459	2,764,789	2,397,850
Operating profit	**111,757**	84,912	89,022	72,891	223,066	204,519
Finance costs	**(6,729)**	(10,372)	(7,214)	(10,973)	(10,341)	(11,411)
Share of losses of associates	**–**	(14,312)	(10,669)	(16,423)	(15,616)	(2,639)
Profit before income tax	**105,028**	60,228	71,139	45,495	197,109	190,469
Income tax expense	**(22,869)**	(14,968)	(15,232)	(16,383)	(37,053)	(24,890)
Profit from continuing operations	**82,159**	45,260	55,907	29,112	160,056	165,579
Discontinued operations						
Profit from discontinued operations	**–**	–	–	–	–	19,117
Profit for the year/period	**82,159**	45,260	55,907	29,112	160,056	184,696
Profit attributable to:						
Owners of the Company						
Continuing operations	**77,209**	42,482	53,930	25,539	156,493	148,169
Discontinued operations	**–**	–	–	–	–	18,435
	77,209	42,482	53,930	25,539	156,493	166,604
Non-controlling interests						
Continuing operations	**4,950**	2,778	1,977	3,573	3,563	17,410
Discontinued operations	**–**	–	–	–	–	682
	4,950	2,778	1,977	3,573	3,563	18,092
	82,159	45,260	55,907	29,112	160,056	184,696
Earnings per share						
Basic	**HK8.5 cents**	HK4.7 cents	HK6.0 cents	HK2.8 cents	HK17.3 cents	HK18.2 cents
Diluted	**HK8.5 cents**	HK4.7 cents	HK6.0 cents	HK2.8 cents	HK17.2 cents	HK18.1 cents

Summary financial information (Continued)

Assets, liabilities and non-controlling interests

	At 31 December		At 31 March		
	2013	2012	2012	2011	2010
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	**1,307,708**	1,352,430	1,366,117	1,330,903	1,304,175
Land use rights	**105,069**	107,162	109,215	110,951	112,328
Intangible assets	**8,501**	8,940	11,140	9,405	8,698
Available-for-sale financial assets	**42,929**	22,463	8,034	8,653	8,490
Properties under construction	**10,084**	12,262	19,391	35,255	249
Interests in associates	**–**	–	41,080	54,018	21,638
Derivative financial instruments	**–**	–	–	–	193
Trade receivables	**1,797**	7,006	–	–	–
Deferred income tax assets	**14,090**	9,664	14,103	10,926	11,429
Deposits paid for acquisition of property, plant and equipment	**8,744**	–	3,064	8,492	–
Current assets	**2,319,120**	2,109,296	2,214,422	2,076,316	2,355,766
Total assets	**3,818,042**	3,629,223	3,786,566	3,644,919	3,822,966
Current liabilities	**653,233**	538,812	624,437	775,917	794,613
Derivative financial instruments	**–**	–	–	–	233
Borrowings	**195,000**	228,937	313,614	10,714	–
Deferred income tax liabilities	**54,412**	47,749	44,568	46,117	40,654
Total liabilities	**902,645**	815,498	982,619	832,748	835,500
Non-controlling interests	**161,589**	149,190	142,064	138,427	128,378
Equity attributable to owners of the Company	**2,753,808**	2,664,535	2,661,883	2,673,744	2,859,088

Property, plant and equipment

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

Share capital

Details of the Company's share capital during the year are set out in note 31 to the financial statements.

Purchase, redemption or sale of listed securities of the Company

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

Reserves

Details of the movement in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and in note 32 to the financial statements, respectively.

Distributable reserves

The Company's distributable reserve as at 31 December 2013, calculated under Section 79B of the Companies Ordinance 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$63,234,000, of which HK$48,117,000 has been proposed as a final dividend for the year.

Charitable contributions

During the year, the Group made charitable contributions totalling HK$216,000.

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 and purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

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:

Shigechika Ishida	(Appointed on 1 April 2013)
Hiroyuki Kimura	(Resigned on 1 April 2013)
Yoshitaka Ozawa	
Katsuaki Tanaka	
Yam Hon Ming, Tommy	

Independent non-executive directors:

Lo Chi Hong
Luk Koon Hoo
Yap, Alfred Donald

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

Sung Chee Keung
Yam Hon Ming, Tommy
Lo Chi Hong

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

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

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

Executive directors

Mr. Yum Chak Ming, Matthew, aged 56, is the Executive Chairman of the Group. He has been a director of the Company since 1991. He holds a Bachelor of Applied Science degree in Industrial Engineering and a Master of Business Administration degree in Marketing and Finance, both from the University of Toronto, Canada. He is responsible for the overall management of the Group. He has been with the Group since 1983.

Mr. Sung Chee Keung, aged 55, is the Executive Director, Consumer Product Packaging. He is responsible for overseeing the operation of the Group's Consumer Product Packaging business in the People's Republic of China (the "PRC"). He holds a Bachelor of Science degree in Printing Engineering from Rochester Institute of Technology, U.S.A. He has over 25 years of experience in the printing industry and has been with the Group since 1986. He became a director of the Company in September 2008.

Non-executive directors

Mr. Shigechika Ishida, aged 61, is a member of the board of Rengo Co., Ltd. ("Rengo") and is the Managing Executive Officer with responsibility for Folding Carton & Flexible Packaging Business Unit. He holds a Bachelor of Economics from University of Nagasaki, Japan. Mr Ishida has been with Rengo since 1975 in various positions and has been a member of the board since June 2011.

Mr. Yoshitaka Ozawa, aged 64, is Representative Director of Rengo and is the Executive Vice President with responsibility for Rengo's Packaging Division and R&D Unit. He holds a Bachelor of Mechanical Engineering from Waseda University, Japan. Mr. Ozawa has been with Rengo since 1974 in various positions and has been a member of the board since June 2002.

Mr. Katsuaki Tanaka, aged 63, is a Senior Adviser of Rengo and Rengo's Overseas Unit. He holds a Bachelor of Agricultural Sciences from the University of Tokyo, Japan. Mr. Tanaka joined Rengo on 1 August 2011 and was between June 2010 and July 2011 the corporate auditor of Sumisho Mitsuibussan Kenzai Co., Ltd. Before that he worked for Sumisho Paper Co., Ltd. where he was a director between 2003 and 2010.

Mr. Yam Hon Ming, Tommy, aged 50, holds a Bachelor of Arts degree in Economics from York University, Canada. Mr. Yam has significant management experience in the printing industry. He was a non-executive director of the Company from 1991 to 1996. He rejoined the Company in 1999 and served as an executive director of the Company from July 2000 to July 2008. He was also the general manager of Hung Hing Packaging (Wuxi) Company Limited, a subsidiary of the Company, and was responsible for its general management between 2002 and 2008. He is a brother of Mr. Yum Chak Ming, Matthew.

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

Independent non-executive directors

Mr. Lo Chi Hong, aged 67, was a Board Director and Vice President of Sino United Publishing (Holdings) Limited and is an advisor to the group chairman of the Hung's Food Group which runs the restaurant and bakery chain under the "Yoshinoya" and "Maria's Bakery" brand names respectively. He has held senior managerial roles in the publishing industry over the last 30 years. From 1996 to 2007, he served as the chief executive officer of C&C Joint Printing (HK) Limited. Mr. Lo has also held a number of public posts in Hong Kong and China including acting as a vice president of the Printing Technology Association of China, the chairman of the Advisory Board of the Hong Kong Institute of Print-media Professionals, a member of the Hong Kong Council for Accreditation of Academic & Vocational Qualifications and a member of the SME Development Fund Vetting Committee, an honorary president of the Chinese Manufacturers' Association of Hong Kong and an honorary president of the Hong Kong Printers Association. In 2005, Mr. Lo was awarded the Medal of Honour by the HKSAR Government. Mr. Lo was a PHD Candidate of Peking University in China in 1985.

Mr. Luk Koon Hoo, aged 63, has been an independent non-executive director of the Company since August 2008. He is a retired banker and has 30 years of comprehensive experience in accounting and financial management. He joined Hang Seng Bank in 1975 and became the bank's Chief Financial Officer in 1989. He was appointed Executive Director and Deputy Chief Executive in 1994 and was subsequently re-designated as Managing Director until his retirement in 2005. Mr. Luk is currently an independent non-executive director of three publicly-listed companies in Hong Kong, namely, China Properties Group Limited, Computime Group Limited and i-Cable Communications Limited. Mr. Luk also serves as a council member and the treasurer of The Chinese University of Hong Kong and a member of Town Planning Board. Mr. Luk graduated with a Bachelor of Social Sciences Degree in Statistics from The University of Hong Kong and also holds a Master of Business Administration Degree granted by The Chinese University of Hong Kong. He is a Fellow of the Hong Kong Institute of Bankers. Mr. Luk is a Non-official Justice of the Peace and was awarded the honour of Bronze Bauhinia Star in 2004 in recognition of his contributions to public services.

Mr. Yap, Alfred Donald, JP, aged 75, is presently a consultant of Messrs. K.C. Ho & Fong, Solicitors & Notaries. He is the former president of The Law Society of Hong Kong and of The Law Association for Asia and The Pacific (LAWASIA). He has served on various public and community bodies. Mr. Yap is currently an independent non-executive director of eSun Holdings Limited, and Wong's International (Holdings) Limited, which are listed on the Stock Exchange. He became a director of the Company in March 2005.

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

Senior management

Mr. Shek Kwok Man, aged 50, is the Vice President, Finance of the Group, providing financial leadership for the Group including mergers & acquisitions, investor relations, planning & reporting, and financial management of manufacturing operations. Prior to joining the Group in February 2013, Mr. Shek had over 25 years of management experience as senior executive with renowned multinational corporations stationed in various locations such as Tokyo, Guangzhou, Beijing and Shanghai in addition to Hong Kong. Mr. Shek is a chartered accountant (ACA/FCCA/CPA) and graduated from The University of Hong Kong with a BSSc (Hons) degree, and holds a MBA with Manchester Business School, UK and Master of Science – Marketing (MSc-Mktg) with Napier University, Edinburgh, Scotland.

Mr. Tung Yu Biu, aged 65, is the Financial Controller and Company Secretary of the Company and is responsible for the financial accounting and secretarial affairs of the Group. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Prior to joining the Group, he worked 5 years with an international accounting firm in Hong Kong and 11 years in financial management with a multinational company in Hong Kong. He has been with the Group since 1992.

Mr. Wong Fu Cheung, Dennis, aged 54, is the General Manager, Product integrity and is responsible for overseeing improvements in quality (assurance and control), product engineering code of conduct, safety, ethics and sustainability initiatives. He holds a Bachelor of Science degree with Honours in Computational and Statistical Science from the University of Liverpool, U.K.. He has been with the Group since 1992.

Mr. Song Zhi Yi, aged 53, 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 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 56, is responsible for the sales and marketing of the Group's South China printing and packaging business. He holds a Bachelor of Applied Science degree in Electrical Engineering from the University of Toronto. He has been with the Group since 1990. He is a brother-in-law of Mr. Yum Chak Ming, Matthew.

Ms. Chong Wai Kan, Winky, aged 44, is responsible for the management of the Group's paper trading business. She has over 20 years of experience in paper trading and has been with the Group since 1992.

Mr. Lim Pheck Wan, Richard, aged 49, is responsible for the sales and marketing operations of the Group's book and package printing business. He holds a Master's Degree in International Marketing from the University of Strathclyde, Glasgow. He has over 20 years experience in the printing business and has managed operations in Singapore/Malaysia and Eastern China. He has been with the Group since July 2011.

Mr. So Ching Tung, Tony, aged 44, is responsible for the management of the corrugated box business in Hong Kong and Shenzhen. He holds a Bachelor of Science degree (Honours) in Science from the Hong Kong Baptist University and a Master of Business Administration degree from The Hong Kong Polytechnic University. He has been with the Group since 2006.

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

Senior management (Continued)

Mr. Yu Yan Yee, aged 44, is the Chief Information Officer of the Group. He is responsible for overseeing all aspects of information technology (IT) for the Group, and enabling its business through strategic and effective use of IT. Mr. Yu spent the last 15 years driving IT transformation projects and executing change programs, most recent 10 years with IBM Global Business Services. He holds a Bachelor of Science degree (cum laude) in Mechanical Engineering from Louisiana Tech University, USA, a Master of Business Administration degree from Boston University, USA, and a Master of Science degree in IT from the Hong Kong University of Science and Technology. He has been with the Group since May 2012.

Directors' service contracts

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

Directors' remuneration

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

Directors' interests in contracts

Save as disclosed in note 38 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 2013, the interests of the directors in the share capital and underlying shares of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest					
Name of directors	**Directly beneficially owned**	**Through spouse or minor children**	**Through controlled corporation**	**Share award scheme**	**Total**	**Percentage of the Company's issued share capital**
Yum Chak Ming, Matthew	18,332,325	–	–	352,705	18,685,030	2.06
Sung Chee Keung	1,294,407	60,000	–	128,657	1,483,064	0.16
Yap, Alfred Donald	27,504	–	–	–	27,504	–

Directors' interests in shares and underlying shares (Continued)

Save as disclosed above, as at 31 December 2013, 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 33 to the financial statements.

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

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

At 31 December 2013, 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
Aberdeen Asset Management PLC		Through controlled corporation	62,510,000	6.89

* 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 2013. None of such interests renders C.H. Yam International Limited a controlled corporation (as defined in SFO) of any of Mr. Yum Chak Ming, Matthew, Mr. Yam Hon Ming, Tommy or any other members of the family.

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

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

Substantial shareholders' and other persons' interests in shares and underlying shares (Continued)

Save as disclosed above, as at 31 December 2013, 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.

Connected transactions

On 1 July 2013 the Company, among others, entered into the equity transfer agreements ("Equity Transfer Agreements") with an independent third party, Zhongshan Yong Fa Industry Company Limited ("Zhongshan Yong Fa"), pursuant to which the Company, Rengo Co., Ltd. ("Rengo"), Homegrace Consultants Limited ("Homegrace") and LeMonde Inc. agreed to dispose of 7.5%, 32.8%, 3.1% and 15.3% equity interests in each of Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited and Zhongshan Ren Hing Paper Manufacturing Company Limited ("Paper Mill Entities") to Zhongshan Yong Fa at an aggregate cash consideration of RMB18,179,000, RMB79,188,000, RMB7,424,000 and RMB37,123,000, respectively.

Rengo, a substantial shareholder of the Company and Homegrace, a company wholly owned by Mr. Sung Chee Keung, a director of the Company, and his associates, were also parties to each of the Equity Transfer Agreements. Rengo and Homegrace were regarded as connected persons and the transactions were regarded as connected transactions pursuant to Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profit ratio) for the transactions were over 0.1% but less than 5%, the Equity Transfer Agreements were subject to reporting and announcement requirements only and exempt from the independent shareholders' approval requirement under the Rule 14A.32 of the Listing Rules.

Further details of the above transactions were set out in the announcements of the Company dated 31 July 2013 and 9 August 2013.

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 or its subsidiaries (Rengo, together with its subsidiaries the "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:

(a) Purchase of Paper and Sale of Waste Paper Agreements

Each of Paper Mill Entities is a Sino-foreign joint venture company incorporated under the laws of the PRC and is principally engaged in paper manufacturing. Under the Listing Rules, each of the Paper Mill Entities is an associate of Rengo and therefore a connected person of the Company.

On 27 February 2012, the Company and the Paper Mill Entities renewed the following two framework agreements for a term of one year commencing on 1 April 2012:

(i) An agreement pursuant to which the Company agreed to purchase, and procure the Company's subsidiaries to purchase, and the Paper Mill Entities agreed to sell paper (the "Purchase of Paper Framework Agreement").

(ii) An agreement pursuant to which the Company agreed to sell, or procure the Company's subsidiaries to sell, and the Paper Mill Entities agreed to purchase waste paper (the "Sale of Waste Paper Framework Agreement").

Continuing connected transactions (Continued)

(a) Purchase of Paper and Sale of Waste Paper Agreements (Continued)

The revised annual caps for the twelve months ended 31 March 2013 with regard to the Purchase of Paper Framework Agreement and the Sale of Waste Paper Framework Agreement are HK$72 million and HK$38 million, respectively. These agreements were replaced by two new framework agreements mentioned in (d) below with effect from 30 January 2013. The actual amount of transactions in relation to the Purchase of Paper Framework Agreement and the Sale of Waste Paper Framework Agreement during the period from 1 April 2012 to 31 December 2012 were HK$61.2 million and HK$24.5 million, respectively, and the amounts during the period from 1 January 2013 to 29 January 2013 were HK$8.8 million and HK$2.5 million, respectively.

The above continuing connected transactions between the Paper Mill Entities and the Group were exempted from approval of the independent shareholders of the Company and subject to reporting, annual review and announcement only. Further details of the transactions were set out in the announcements of the Company dated 29 August 2011 and 27 February 2012.

(b) Sales Agreement and Supplemental Sales Agreements

The Group and the Rengo Group entered into a basic sales and purchase agreement on 1 May 2012 (the "Sales Agreement"), pursuant to which the Group agreed to sell and deliver to Rengo Group the Paper Products for the period from 1 May 2012 to 30 June 2013. On 27 November 2012, the Group and the Rengo Group entered into a supplemental agreement to the Sales Agreement (the "Supplemental Sales Agreement") to extend the term of the Sales Agreement to 31 December 2013.

The annual cap for the year ended 31 December 2013 with regard to the Sales Agreement and Supplemental Sales Agreements is HK$16 million. These agreements were replaced by two new framework agreements mentioned in (d) below with effect from 30 January 2013. During the period from 1 January 2013 to 29 January 2013, the actual amount of transactions in relation to the Sales Agreement and Supplemental Sales Agreements was HK$0.6 million.

(c) Corrugated Board Agreement

The Group and the Rengo Group entered into a purchase agreement on 27 November 2012 (the "Corrugated Board Agreement"), pursuant to which the Rengo Group agreed to sell and deliver to the Group corrugated board for the period from 27 November 2012 to 31 December 2013.

The annual cap for the year ended 31 December 2013 with regard to the Corrugated Board Agreement is HK$4 million. This agreement was replaced by a new framework agreement mentioned in (d) below with effect from 30 January 2013. During the period from 1 January 2013 to 29 January 2013, the actual amount of transactions in relation to the Corrugated Board Agreement was less than HK$0.1 million.

The transactions under the Sales Agreement, Supplemental Sales Agreements and Corrugated Board Agreement had exceeded the de minimis threshold set forth in Rule 14A.33(3) of the Listing Rules and are subject to reporting, annual review and announcement requirement but exempted from the requirement of obtaining the independent shareholders' approval pursuant to Rule 14A.34(1) of the Listing Rules.

Further details of the above transactions were set out in the announcement of the Company dated 27 November 2012.

Continuing connected transactions (Continued)

(d) Sale of Paper Products Framework Agreement and Purchase of Paper Products Framework Agreement

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

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

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

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

The annual caps of transactions in relation to the Sale of Paper Products Framework Agreement for the three years ended 31 December 2013, 31 December 2014 and 31 December 2015 are HK$59 million, HK$77 million and HK$98 million, respectively. The annual caps of transactions in relation to the Purchase of Paper Products Framework Agreement for the three years ended 31 December 2013, 31 December 2014 and 31 December 2015 are HK$116 million, HK$143 million and HK$154 million, respectively. During the period from 30 January 2013 to 31 December 2013, the actual amount of transactions in relation to the Sale of Paper Products Framework Agreement and the Purchase of Paper Products Framework Agreement was HK$22.1 million and HK$46.9 million, respectively.

Annual Review of Continuing Connected Transactions

Pursuant to Rule 14A.38 of the Listing Rules, the Company has engaged its auditor, PricewaterhouseCoopers, to conduct a review of the above continuing connected transactions for the year ended 31 December 2013 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter in respect of the continuing connected transactions disclosed in the paragraph above and confirmed that for the year ended 31 December 2013:

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

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

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

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

In accordance with Rule 14A.37 of the Listing Rules, the Independent Non-executive Directors of the Company have reviewed the above continuing connected transactions for the year ended 31 December 2013 and the letter issued by the auditor and confirmed that the above continuing connected transactions were entered into:

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

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

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

The above continuing connected transactions constitute related party transactions which are set out in note 38 to the consolidated financial statements included in this annual report. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Sufficiency of public float

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

Auditor

PricewaterhouseCoopers retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Yum Chak Ming, Matthew
Executive Chairman

Hong Kong, 17 March 2014

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 is committed to continuously improving these practices and cultivating an ethical corporate culture.

Code on Corporate Governance Practices

The Company has adopted the code provisions as set out on in the Code of Corporate Governance (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has complied with all the applicable code provisions in the CG Code throughout the year ended 31 December 2013 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.

In respect of Code Provision D1.4, the Company did not have formal letters of appointment for three of its directors, namely Mr. Yoshitaka Ozawa, Mr. Katsuaki Tanaka and Mr. Hiroyuki Kimura (resigned on 1 April 2013) setting out the key terms and conditions of their appointment for the period from 1 January 2013 to 31 March 2013. However all directors shall be subject to retirement in accordance with the Articles of Association of the Company. The directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance polices. Formal letters of appointment were signed with Mr. Yoshitaka Ozawa and Mr. Katsuaki Tanaka effective from 1 April 2013 and hence the Company has complied with Code Provision D1.4 since that date.

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 24 to 25 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 22 May 2013 for the financial period ended 31 December 2012. The Company also convened an extraordinary general meeting on 30 January 2013 to get independent shareholders approval on continuing connected transactions.

The attendance record of the Directors at the board meetings, the annual general meeting and an extraordinary general meeting for the year ended 31 December 2013 is as follows:

	Attendance		
	Board meetings	AGM	EGM
Executive Chairman			
Yum Chak Ming, Matthew	5/5	1/1	1/1
Executive Director			
Sung Chee Keung	5/5	1/1	0/1
Non-executive Directors			
Yoshitaka Ozawa	4/5	1/1	1/1
Hiroyuki Kimura (Resigned on 1 April 2013)	1/1	–	1/1
Shigechika Ishida (Appointed on 1 April 2013)	2/4	1/1	–
Katsuaki Tanaka	5/5	1/1	1/1
Yam Hon Ming, Tommy	4/5	1/1	1/1
Independent Non-executive Directors			
Yap, Alfred Donald	5/5	1/1	1/1
Luk Koon Hoo	4/5	1/1	1/1
Lo Chi Hong	4/5	1/1	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. In 2013, site visits to our China plants were organized for our independent non-executive directors and other non-executive directors for their better understanding of our operations in China. We also organized one training session and arranged a professional firm to facilitate a discussion on the subject of board effectives – best practices and trends for all directors. Some directors also attended seminars as provided by other professional bodies or as referred to by the Company.

The records of training as received by each Director in 2013 are summarized as follows:

	Type of trainings
Executive Chairman	
Yum Chak Ming, Matthew	B, C
Executive Director	
Sung Chee Keung	A, B, C
Non-executive Directors	
Yoshitaka Ozawa	B, C
Hiroyuki Kimura (Resigned on 1 April 2013)	B, C
Shigechika Ishida (Appointed on 1 April 2013)	B, C
Katsuaki Tanaka	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;

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

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

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

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

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

Model Code for Securities Transactions

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

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding the directors' securities transaction throughout the year ended 31 December 2013.

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 42 to 43 of this Annual Report.

Auditors' Remuneration

For the year ended 31 December 2013, the Auditors of the Company will receive approximately HK$2,480,000 for their audit service. Non-audit service which covered taxation service provided to the Group was approximately HK$202,000 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, Mr. Hiroyuki Kimura who resigned on 1 April 2013 and was replaced by Mr. Katsuaki Tanaka. The Committee's authority and duties are set out in written terms of reference which are posted on the websites of the Company and the Stock Exchange.

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

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

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

The Committee met once in the financial year ended 31 December 2013 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

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

– participants in the Restricted Share Award Scheme for the scheme period ending on 31 March 2014

– director fee for the newly joined Non-executive Director

Nomination Committee

The Nomination Committee comprises of 3 Independent Non-executive Director, Mr. Luk Koon Hoo (Committee Chairman), Mr. Alfred Donald Yap, Mr. Lo Chi Hong, 1 Non-executive Director, Mr. Hiroyuki Kimura who resigned on 1 April 2013 and was replaced by Mr. Katsuaki Tanaka, and the Executive Chairman, Mr. Yum Chak Ming, Matthew. The defined terms of reference of the Committee are set out in writing and are posted on the websites of the Company and the Stock Exchange.

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

The Committee met once in the financial year ended 31 December 2013 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 nomination of Mr. Shigechika Ishida as Non-executive Director to replace Mr. Hiroyuki Kimura who resigned on 1 April 2013

– the review of draft Board Diversity Policy for recommendation to the Board for adoption

With the recommendation of the Nomination Committee, the Board has adopted the Board Diversity Policy, 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 o 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 discuss the measurable objectives for implementing diversity on the Board from time to time and recommend them to the Board for adoption.

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

Audit Committee

The Audit Committee comprises of 3 Independent Non-executive Directors and 1 Non-executive Director. They are Mr. Luk Koon Hoo (Committee Chairman), Mr. Alfred Donald Yap, Mr. Lo Chi Hong and Mr. Yoshitaka Ozawa. 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 auditors and assessing their independence and performance.

During the financial year ended 31 December 2013, the Committee held 4 meetings and the attendance record are:

	Attendance
Luk Koon Hoo	4/4
Yap Alfred Donald	4/4
Lo Chi Hong	3/4
Yoshitaka Ozawa	3/4

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

– reviewing with the auditors on key audit and accounting mattes, risk analysis and internal control recommendation of the auditors in their Audit Committee Report and the draft audited financial statements for the financial period ended 31 December 2012

– reviewing the financial statements for the six months ended 30 June 2013 focusing on business highlights, any change of accounting polices and practices, and compliance with accounting standards and listing rules requirement

– reviewing with the auditors 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 2013

– receiving and reviewing Company's report on whistle blowing policy

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

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

The Committee is 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 2014 at the forthcoming annual general meeting.

Communication with Shareholders

The Company recognizes the importance of communication with the shareholders of the Company, both individual and institutional as well as potential investors. In June 2012, the Company adopted a Shareholders Communication Policy with an aim of ensuring shareholders are provided with timely information about the Company and enabling them to engage actively with the Company and to exercise their rights in an informed manner.

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

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

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

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

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

Investor Relations

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

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

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

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

We have audited the consolidated financial statements of Hung Hing Printing Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 44 to 132, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 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.

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2014

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Note	**Year ended 31 December 2013 HK$'000**	Period from 1 April to 31 December 2012 HK$'000
Revenue	5	**3,013,490**	2,406,673
Cost of sales	6	**(2,586,482)**	(2,058,565)
Gross profit		**427,008**	348,108
Other income and gains	5	**48,241**	24,765
Gain on disposal of available-for-sale financial assets	36	**17,183**	–
Gain on disposal of an associate	34	**–**	5,934
Loss on redesignation of investment in associates to available-for-sale financial assets	35	**–**	(3,196)
Distribution costs		**(83,714)**	(65,968)
Administrative and selling expenses	6	**(292,691)**	(214,059)
Other expenses	6	**(4,270)**	(6,562)
Operating profit		**111,757**	89,022
Finance costs	7	**(6,729)**	(7,214)
Share of losses of associates	20	**–**	(10,669)
Profit before income tax		**105,028**	71,139
Income tax expense	10	**(22,869)**	(15,232)
Profit for the year/period		**82,159**	55,907
Attributable to:			
Owners of the Company		**77,209**	53,930
Non-controlling interests		**4,950**	1,977
		82,159	55,907
		HK cents	HK cents
Earnings per share attributable to owners of the Company	12		
Basic		**8.5**	6.0
Diluted		**8.5**	6.0
		HK$'000	HK$'000
Dividends	13	**63,551**	45,393

The notes on pages 53 to 132 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	Year ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000
Profit for the year/period		**82,159**	55,907
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Currency translation differences		**28,686**	8,730
Change in value of intangible assets		**(450)**	(800)
Change in value of available-for-sale financial assets	17	**26,048**	82
Exchange reserve released upon disposal of an associate	34	**–**	298
Exchange reserve released upon redesignation of investments in associates to available-for-sale financial assets	35	**–**	(14,759)
Non-controlling interests released upon redesignation of investments in associates to available-for-sale financial assets	35	**–**	19
Other comprehensive income/(loss) for the year/period, net of tax		**54,284**	(6,430)
Total comprehensive income for the year/period		**136,443**	49,477
Attributable to:			
Owners of the Company		**121,702**	46,142
Non-controlling interests		**14,741**	3,335
Total comprehensive income for the year/period		**136,443**	49,477

The notes on pages 53 to 132 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	14	**1,307,708**	1,352,430
Land use rights	15	**105,069**	107,162
Intangible assets	16	**8,501**	8,940
Available-for-sale financial assets	17	**42,929**	22,463
Properties under construction	18	**10,084**	12,262
Trade receivables	22	**1,797**	7,006
Deferred income tax assets	30	**14,090**	9,664
Deposits for acquisition of property, plant and equipment		**8,744**	–
Total non-current assets		**1,498,922**	1,519,927
Current assets			
Inventories	21	**549,664**	613,469
Trade and bills receivables	22	**832,721**	823,837
Prepayments, deposits and other receivables	23	**60,538**	43,622
Derivative financial instruments	24	**2,561**	1,117
Tax recoverable		**3,237**	4,205
Pledged time deposits	25	**47,808**	46,114
Time deposits with original maturity over three months		**213,685**	43,587
Cash and cash equivalents	26	**608,906**	533,345
Total current assets		**2,319,120**	2,109,296
Total assets		**3,818,042**	3,629,223
Equity			
Equity attributable to owners of the Company			
Share capital	31	**90,787**	90,787
Reserves	32(a)	**2,614,904**	2,555,591
Proposed dividend	13	**48,117**	18,157
		2,753,808	2,664,535
Non-controlling interests		**161,589**	149,190
Total equity		**2,915,397**	2,813,725

The notes on pages 53 to 132 are an integral part of these consolidated financial statements.

	Note	2013 HK$'000	2012 HK$'000
Liabilities			
Non-current liabilities			
Borrowings	29	**195,000**	228,937
Deferred income tax liabilities	30	**54,412**	47,749
Total non-current liabilities		**249,412**	276,686
Current liabilities			
Trade and bills payables	27	**230,946**	181,887
Current income tax liabilities		**34,193**	21,363
Other payables and accrued liabilities	28	**183,884**	182,244
Borrowings	29	**204,210**	153,318
Total current liabilities		**653,233**	538,812
Total liabilities		**902,645**	815,498
Total equity and liabilities		**3,818,042**	3,629,223
Net current assets		**1,665,887**	1,570,484
Total assets less current liabilities		**3,164,809**	3,090,411

The notes on pages 53 to 132 are an integral part of these consolidated financial statements.

The financial statements on pages 44 to 132 were approved by the Board of Directors on 17 March 2014 and were signed on its behalf.

Yum Chak Ming, Matthew
Director

Sung Chee Keung
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	14	**736**	204
Land use rights	15	**7,222**	7,781
Available-for-sale financial assets	17	**12,213**	9,183
Investments in subsidiaries	19	**319,926**	319,926
Total non-current assets		**340,097**	337,094
Current assets			
Prepayments, deposits and other receivables	23	**25,184**	1,224
Derivative financial instruments	24	**693**	181
Amounts due from subsidiaries	37(a)	**1,410,387**	1,623,380
Loan to a subsidiary	37(b)	**6,407**	19,925
Tax recoverable		**1,595**	81
Time deposits with original maturity over three months		**142,852**	–
Cash and cash equivalents	26	**223,898**	150,267
Total current assets		**1,811,016**	1,795,058
Total assets		**2,151,113**	2,132,152
Equity			
Equity attributable to owners of the Company			
Share capital	31	**90,787**	90,787
Reserves	32(b)	**2,002,353**	2,018,260
Proposed dividend	13	**48,117**	18,157
Total equity		**2,141,257**	2,127,204

The note on pages 53 to 132 are an integral part of these consolidated financial statements.

	Note	2013 HK$'000	2012 HK$'000
Liabilities			
Current liabilities			
Amounts due to subsidiaries	37(a)	**1,358**	–
Other payables and accrued liabilities	28	**8,498**	4,948
Total liabilities		**9,856**	4,948
Total equity and liabilities		**2,151,113**	2,132,152
Net current assets		**1,801,160**	1,790,110
Total assets less current liabilities		**2,141,257**	2,127,204

The notes on pages 53 to 132 are an integral part of these consolidated financial statements.

The financial statements on pages 44 to 132 were approved by the Board of Directors on 17 March 2014 and were signed on its behalf.

Yum Chak Ming, Matthew
Director

Sung Chee Keung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2013

	Note	Share capital HK$'000	Share premium HK$'000	Other capital reserves HK$'000	Intangible asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Legal reserves (Note 32(a)(ii)) HK$'000	Exchange fluctuation reserve HK$'000	Equity compensation reserve HK$'000	Retained earnings HK$'000	Proposed dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to owners of the Company												
Balance at 1 April 2012		90,787	1,559,461	(14,042)	6,400	(698)	120,975	145,913	10,673	724,257	18,157	2,661,883	142,064	2,803,947
Comprehensive income														
Profit for the period		–	–	–	–	–	–	–	–	53,930	–	53,930	1,977	55,907
Other comprehensive income/(loss)														
Gain/(loss) on revaluation		–	–	–	(800)	82	–	–	–	–	–	(718)	–	(718)
Currency translation differences		–	–	–	–	–	–	7,391	–	–	–	7,391	1,339	8,730
Release upon disposal of an associate	34	–	–	–	–	–	–	298	–	–	–	298	–	298
Release upon redesignation of investments in associates to available-for-sale financial assets	35	–	–	–	–	–	–	(14,759)	–	–	–	(14,759)	19	(14,740)
Total other comprehensive income/(loss), net of tax		–	–	–	(800)	82	–	(7,070)	–	–	–	(7,788)	1,358	(6,430)
Total comprehensive income/(loss)		–	–	–	(800)	82	–	(7,070)	–	53,930	–	46,142	3,335	49,477
Total contributions by and distributions to owners of the Company, recognised directly in equity														
Final dividend for the year ended 31 March 2012		–	–	–	–	–	–	–	–	–	(18,157)	(18,157)	–	(18,157)
Equity compensation expenses	33	–	–	–	–	–	–	–	1,903	–	–	1,903	–	1,903
Shares vested under the restricted share award scheme	33	–	–	4,739	–	–	–	–	(4,739)	–	–	–	–	–
Allocation to legal reserve		–	–	–	–	–	3,991	–	–	(3,991)	–	–	–	–
Interim dividend for the period	13	–	–	–	–	–	–	–	–	(27,236)	–	(27,236)	–	(27,236)
Proposed final dividend for the period	13	–	–	–	–	–	–	–	–	(18,157)	18,157	–	–	–
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	(2,339)	(2,339)
Realisation of reserve upon redesignation of investments in associates to available-for-sale financial assets		–	–	–	–	–	(1,807)	–	–	1,807	–	–	1,660	1,660
Contribution from non-controlling interests (Note)		–	–	–	–	–	–	–	–	–	–	–	4,470	4,470
Total contributions by and distributions to owners of the Company, recognised directly in equity		–	–	4,739	–	–	2,184	–	(2,836)	(47,577)	–	(43,490)	3,791	(39,699)
Balance at 31 December 2012		90,787	1,559,461	(9,303)	5,600	(616)	123,159	138,843	7,837	730,610	18,157	2,664,535	149,190	2,813,725

Note: During the period, the non-controlling shareholder injected a total of US$580,000 (approximately HK$4,470,000) cash as addition capital contribution to one of the Company's indirectly held subsidiary, Zhongshan Hung Hing Printing & Packaging Company Limited.

The notes on pages 53 to 132 are an integral part of these consolidated financial statements.

	Note	Share capital HK$'000	Share premium HK$'000	Other capital reserves HK$'000	Intangible asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Legal reserves (Note 32(a)(ii)) HK$'000	Exchange fluctuation reserve HK$'000	Equity compensation reserve HK$'000	Retained earnings HK$'000	Proposed dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to owners of the Company												
Balance at 1 January 2013		90,787	1,559,461	(9,303)	5,600	(616)	123,159	138,843	7,837	730,610	18,157	2,664,535	149,190	2,813,725
Comprehensive income														
Profit for the year		–	–	–	–	–	–	–	–	77,209	–	77,209	4,950	82,159
Other comprehensive income/(loss)														
Gain/(loss) on revaluation		–	–	–	(450)	21,003	–	–	–	–	–	20,553	5,045	25,598
Currency translation differences		–	–	–	–	–	–	23,940	–	–	–	23,940	4,746	28,686
Total other comprehensive income/(loss), net of tax		–	–	–	(450)	21,003	–	23,940	–	–	–	44,493	9,791	54,284
Total comprehensive income/(loss)		–	–	–	(450)	21,003	–	23,940	–	77,209	–	121,702	14,741	136,443
Total contributions by and distributions to owners of the Company, recognised directly in equity														
Final dividend for the period ended 31 December 2012		–	–	–	–	–	–	–	–	–	(18,157)	(18,157)	–	(18,157)
Equity compensation expenses	33	–	–	–	–	–	–	–	1,162	–	–	1,162	–	1,162
Forfeiture of shares awarded	33	–	–	–	–	–	–	–	(226)	226	–	–	–	–
Shares vested under the restricted share award scheme	33	–	–	4,739	–	–	–	–	(4,739)	–	–	–	–	–
Allocation to legal reserve		–	–	–	–	–	5,079	–	–	(5,079)	–	–	–	–
Interim dividend for the year	13	–	–	–	–	–	–	–	–	(15,434)	–	(15,434)	–	(15,434)
Proposed final dividend for the year	13	–	–	–	–	–	–	–	–	(48,117)	48,117	–	–	–
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	(2,342)	(2,342)
Total contributions by and distributions to owners of the Company, recognised directly in equity		–	–	4,739	–	–	5,079	–	(3,803)	(68,404)	29,960	(32,429)	(2,342)	(34,771)
Balance at 31 December 2013		90,787	1,559,461	(4,564)	5,150	20,387	128,238	162,783	4,034	739,415	48,117	2,753,808	161,589	2,915,397

The notes on pages 53 to 132 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	Year ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000
Cash flows from operating activities			
Cash generated from operations	39	**304,832**	90,160
Hong Kong profits tax refunded/(paid)		**1,752**	(1,252)
Mainland China tax paid		**(9,108)**	(5,162)
Net cash generated from operating activities		**297,476**	83,746
Cash flows from investing activities			
Settlement of derivative financial instruments		**10,248**	2,375
Interest income from a derivative financial instrument		**2,041**	–
Interest received		**11,731**	9,476
Dividend received from available-for-sale financial assets	5	**348**	348
Purchases of property, plant and equipment	14	**(41,651)**	(52,346)
Purchases of software	16	**(832)**	(270)
Additions to properties under construction	18	**(9,536)**	(8,878)
Deposits for acquisition of property, plant and equipment		**(8,744)**	–
Proceeds from disposal of property, plant and equipment	39(b)	**1,230**	2,557
Increase in pledged time deposits		**(1,694)**	(28,793)
(Increase)/decrease in time deposits with original maturity over three months		**(170,098)**	79,483
Net cash (used in)/generated from investing activities		**(206,957)**	3,952
Cash flows from financing activities			
Contribution from non-controlling interests		**–**	4,470
Dividend paid to the owners of the Company		**(33,591)**	(45,393)
Dividend paid to non-controlling interests		**(2,342)**	(2,339)
Proceeds from borrowings		**134,579**	11,733
Repayments of borrowings		**(117,624)**	(159,689)
Interest paid		**(6,791)**	(7,111)
Net cash used in financing activities		**(25,769)**	(198,329)
Net increase/(decrease) in cash and cash equivalents		**64,750**	(110,631)
Cash and cash equivalents at beginning of year/period		**533,345**	640,555
Exchange gain in cash and cash equivalents		**10,811**	3,421
Cash and cash equivalents at end of year/period		**608,906**	533,345
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**218,744**	317,200
Time deposits with original maturity less than three months		**390,162**	216,145
	26	**608,906**	533,345

The notes on pages 53 to 132 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General information

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

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

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

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

These consolidated financial statements are presented in thousands of HK dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 17 March 2014.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

2.1 Basis of preparation (Continued)

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

Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The following amendments to standards and interpretations are mandatory for the Group's accounting year beginning on 1 January 2013:

HKAS 1 (Revised) (Amendment)	Presentation of financial statements – Presentation of items of other comprehensive income
HKAS 19 (Amendment)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures
HKFRS 1 (Amendment)	First-time adoption of on government loans
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosures of interests in other entities
HKFRS 13	Fair value measurement
HKFRSs (Amendment)	Annual improvements to HKFRSs 2009-2011 cycle
HK (IFRIC) – Int 20	Stripping costs in the production phase of a surface mine

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

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

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

		Effective for accounting year beginning on or after
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment entities	1 January 2014
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets	1 January 2014
HKAS 39 (Amendment)	Novation of derivatives and continuation of hedge accounting	1 January 2014
HK(IFRIC) – Int 21	Levies	1 January 2014
HKFRS 7 and HKFRS 9 (Amendment)	Financial instruments: Disclosures – Mandatory effective date of HKFRS 9 and transition disclosures	1 January 2015
HKFRS 9	Financial instruments	1 January 2015
Additions to HKFRS 9	Financial instruments – financial liabilities	1 January 2015
HKFRSs (Amendment)	Annual improvements to HKFRSs 2010-2012 cycle	1 July 2014
HKFRSs (Amendment)	Annual improvements to HKFRSs 2011-2013 cycle	1 July 2014

The impact of adoption of these new standards and amendments to standards in future periods is not currently known or cannot be reasonably estimated.

Change in financial year end date

Pursuant to the resolution of the Board of Directors dated 16 April 2012, the Company's financial year end date has been changed from 31 March to 31 December.

The change is to align with the financial year end date of the Company with that of its subsidiaries established in the People's Republic of China (the "PRC"), the financial results of which are consolidated into its consolidated financial statements each year, and their financial statements are statutorily required to use 31 December as the financial year end.

2.2 Subsidiaries

(a) Consolidation

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

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

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

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

2.2 Subsidiaries (Continued)

(a) Consolidation (Continued)

(i) Business combinations (Continued)

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

Intra-group transactions, balances, and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

(iii) Disposal of subsidiaries

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

2.2 Subsidiaries (Continued)

(b) Separate financial statements

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

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

2.3 Segment reporting

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

2.4 Functional currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2.4 Functional currency translation (Continued)

(b) Transactions and balances (Continued)

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

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

(c) Group companies

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

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

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

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

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

2.5 Property, plant and equipment

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

2.5 Property, plant and equipment (Continued)

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

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

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

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

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

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

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

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

2.6 Land use rights

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

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

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

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

(b) Computer software

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

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

2.7 Intangible assets (Continued)

(b) Computer software (Continued)

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

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

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

(c) Club debentures

Club debentures are initially recognised at cost, subsequently at revaluation and amortised over their estimated useful lives of ten years. Gain or loss on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

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

2.8 Impairment of non-financial assets

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

2.9 Financial assets

2.9.1 Classification

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

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

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

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables are set out in Note 42 to the consolidated financial statements.

(c) *Available-for-sale financial assets*

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

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

2.9.2 Recognition and measurement

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

2.9 Financial assets (Continued)

2.9.2 Recognition and measurement (Continued)

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

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

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

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

2.9.3 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

2.9 Financial assets (Continued)

2.9.3 Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

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

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.11 Derivative financial instruments and hedging activities

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

2.12 Inventories

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

2.13 Trade and other receivables

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

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

2.14 Cash and cash equivalents

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

2.15 Share capital

Ordinary shares are classified as equity.

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

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

2.16 Trade and other payables

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

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

2.17 Borrowings

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

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

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

2.18 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

2.18 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Inside basis differences (Continued)

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

Outside basis differences

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

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

(c) Offsetting

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

2.19 Employee benefits

(i) Employee leave entitlements

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

2.19 Employee benefits (Continued)

(ii) Pension obligations – defined contribution plan

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

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

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

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

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

(iii) Profit-sharing and bonus plans

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

2.20 Share-based payments

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

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

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

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

Under the Share Award Scheme, directors and employees of the Group are entitled to the shares for which are held in trust by Law Debenture Trust (Asia) Limited (the "Trustee") for the benefit of the directors and employees. The Trustee may be instructed to buy shares from the market using the funds held by the Trustee. Details of outstanding shares can be referred to Note 33.

2.21 Provisions

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

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

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

2.22 Government grants

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

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

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

2.23 Revenue recognition

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

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

(a) Sales of goods

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

(b) Interest income

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

(c) Dividend income

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

2.24 Leases

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

2.25 Borrowing costs

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

2.26 Dividend distribution

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

3 Critical accounting estimates and judgments

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

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

(a) Income taxes

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

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

3 Critical accounting estimates and judgments (Continued)

(b) Estimated impairment of non-financial assets

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

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

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

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

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

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

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

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

(e) Provision for impairment of inventories

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

3 Critical accounting estimates and judgments (Continued)

(f) Provision for impairment of receivables

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

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

4 Segment information

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

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

(a) Book and Package Printing segment;

(b) Consumer Product Packaging segment;

(c) Corrugated Box segment; and

(d) Paper Trading segment.

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

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

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

4 Segment information (Continued)

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

Business segments

The following tables present revenue, results and certain assets, liabilities and capital expenditure information for the Group's business segments for the year ended 31 December 2013 and the period from 1 April to 31 December 2012.

	Book and Package Printing		Consumer Product Packaging		Corrugated Box		Paper Trading		Eliminations		Total	
	Year ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000	Year ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000	Year ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000	Year ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000	Year ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000	Year ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000
Segment revenue												
Sales to external customers	1,728,430	1,399,108	786,047	573,484	227,850	205,601	271,163	228,480	–	–	3,013,490	2,406,673
Inter-segment sales	1,448	1,084	4,411	12,494	105,647	73,491	419,963	317,162	(531,469)	(404,231)	–	–
Total	1,729,878	1,400,192	790,458	585,978	333,497	279,092	691,126	545,642	(531,469)	(404,231)	3,013,490	2,406,673
Segment results	54,272	42,358	13,479	16,189	13,413	21,767	7,294	9,236	(1,333)	3,208	87,125	92,758
Interest, dividend income and other gains											34,056	12,455
Corporate and unallocated expenses											(26,607)	(18,929)
											94,574	86,284
Gain on disposal of available-for-sale financial assets											17,183	–
Gain on disposal of an associate											–	5,934
Loss on redesignation of investments in associates to available-for-sale financial assets											–	(3,196)
Operating profit											111,757	89,022
Finance costs											(6,729)	(7,214)
Share of losses of associates											–	(10,669)
Profit before income tax											105,028	71,139
Income tax expense											(22,869)	(15,232)
Profit for the year/period											82,159	55,907

4 Segment information (Continued)

Business segments (Continued)

	Book and Package Printing		Consumer Product Packaging		Corrugated Box		Paper Trading		Unallocated		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets												
Property, plant and equipment	**678,660**	713,983	**528,575**	531,132	**72,896**	78,893	**26,834**	28,209	**743**	213	**1,307,708**	1,352,430
Land use rights	**44,691**	46,105	**39,300**	39,240	**5,195**	5,531	**15,883**	16,286	**–**	–	**105,069**	107,162
Properties under construction	**94**	192	**9,990**	12,070	**–**	–	**–**	–	**–**	–	**10,084**	12,262
Inventories	**210,489**	227,310	**151,831**	146,863	**37,122**	38,528	**150,222**	200,768	**–**	–	**549,664**	613,469
Trade and bills receivables	**482,667**	491,595	**199,344**	183,444	**72,240**	71,588	**80,100**	84,216	**167**	–	**834,518**	830,843
Liabilities												
Trade and bills payables	**65,506**	56,311	**96,650**	69,508	**23,439**	15,013	**45,351**	41,055	**–**	–	**230,946**	181,887
Capital expenditure	**29,925**	42,239	**18,796**	18,420	**706**	3,672	**1,605**	213	**987**	14	**52,019**	64,558

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

	Year ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000
Hong Kong	**846,827**	640,719
The PRC	**930,446**	712,776
Europe	**546,469**	522,542
United States of America	**514,471**	373,567
Others	**175,277**	157,069
	3,013,490	2,406,673

During the year ended 31 December 2013 and the period from 1 April to 31 December 2012, no single customer accounted for 10% or more of total revenue.

5 Revenue, other income and gains

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

	Year ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000
Revenue:		
Sale of goods	**3,013,490**	2,406,673
Other income and gains:		
Dividend income from available-for-sale financial assets	**348**	348
Bank interest income	**12,944**	8,807
Fair value gain on derivative financial instruments not qualified as hedges, net (Note 24)	**11,692**	3,239
Interest income from a derivative financial instrument	**2,041**	–
Foreign exchange gain, net	**10,562**	–
Sales of scrap materials	**7,052**	5,387
Sundry income	**3,602**	6,984
	48,241	24,765

6 Expenses by nature

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

	Year ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000
Depreciation (Note 14)	**113,152**	85,996
Amortisation of land use rights (Note 15)	**3,211**	2,390
Amortisation of intangible assets (Note 16)	**822**	1,032
Auditor's remuneration		
– Audit service	**2,480**	2,400
– Non-audit services (included tax matters, review and other reporting services)	**202**	363
Employee benefits expense – excluding Directors' emoluments (Note 8)	**804,300**	570,782
Directors' emoluments (Note 9(a))	**11,700**	7,272
Operating lease charges in respect of land and buildings	**7,497**	5,225
Foreign exchange loss, net	**–**	489
Provision for impairment of trade receivables (Note 22)	**3,499**	4,075
Provision/(reversal of provision) for impairment of inventories, net (Note 21)	**2,314**	(583)
Loss on disposal of property, plant and equipment	**813**	1,517
Loss on disposal of intangible assets	**–**	639

7 Finance costs

	Year ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000
Interest on bank borrowings wholly repayable within five years	**6,729**	7,214

8 Employee benefits expense – excluding Directors' emoluments

	Year ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000
Salaries, allowances, bonus and benefits in kind	**757,872**	541,382
Pension costs – defined contribution plans	**45,842**	28,379
Share-based payments	**586**	1,021
	804,300	570,782

9 Emoluments for directors and five highest paid individuals

(a) Directors' emoluments

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

	Year ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000
Fees:		
Executive directors	**–**	–
Non-executive directors	**1,201**	1,013
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	**6,269**	4,618
Pension costs – defined contribution plans	**224**	165
Bonus (Note)	**2,910**	–
Share-based payments	**576**	882
Non-executive directors:		
Salaries, allowances and benefits in kind	**520**	594
	11,700	7,272

9 Emoluments for directors and five highest paid individuals (Continued)

(a) Directors' emoluments (Continued)

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

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

9 Emoluments for directors and five highest paid individuals (Continued)

(a) Directors' emoluments (Continued)

	Fees	Salaries, allowances and benefits in kind	Employer's contribution to pension scheme	Share-based payments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Period from 1 April to 31 December 2012					
Executive directors:					
Yum Chak Ming, Matthew#*	–	3,343	154	646	4,143
Sung Chee Keung	–	1,275	11	236	1,522
	–	4,618	165	882	5,665
Non-executive directors:					
Yam Hon Ming, Tommy[1]	150	–	–	–	150
Hiroyuki Kimura[2]	188	306	–	–	494
Yoshitaka Ozawa	37	–	–	–	37
Katsuaki Tanaka	188	288	–	–	476
	563	594	–	–	1,157
Independent non-executive directors:					
Yap, Alfred Donald	150	–	–	–	150
Luk Koon Hoo	150	–	–	–	150
Lo Chi Hong	150	–	–	–	150
	450	–	–	–	450

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

Note: The executive directors and members of senior management are eligible to receive incentive bonus which is based on the performance of the Company and its subsidiaries, and individual performance. The accrual of incentive bonus was based on the incentive bonus program as reviewed and recommended by the Remuneration Committee, and approved by the Board of Directors in 2013.

Chairman
* Chief executive officer

[1] Appointed on 1 April 2012
[2] Resigned on 1 April 2013
[3] Appointed on 1 April 2013

9 Emoluments for directors and five highest paid individuals (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year/period included two (period from 1 April to 31 December 2012: two) executive directors. Their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (period from 1 April to 31 December 2012: three) individuals during the year/period are as follows:

	Year ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000
Salaries, allowances and benefits in kind	**5,434**	4,038
Pension costs – defined contribution plans	**138**	101
Bonus (Refer to the note of Note 9(a))	**2,282**	–
Share-based payments	**240**	367
	8,094	4,506

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

	Number of individuals	
	Year ended 31 December 2013	Period from 1 April to 31 December 2012
HK$1,000,001 – HK$1,500,000	**–**	2
HK$1,500,001 – HK$2,000,000	**–**	1
HK$2,500,001 – HK$3,000,000	**3**	–
	3	3

10 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (period from 1 April to 31 December 2012: 16.5%) on the estimated assessable profit for the year/period. Taxation on overseas profit has been calculated on the estimated assessable profit for the year/period at the rates of taxation prevailing in the countries in which the Group operates.

	Year ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000
Current income tax		
– Hong Kong profits tax		
– Provision for the year/period	**2,381**	3,725
– Over provision in prior years	**(458)**	(2,760)
	1,923	965
– PRC corporate income tax		
– Provision for the year/period	**19,327**	6,719
– (Over)/under provision in prior years	**(96)**	117
	19,231	6,836
Total current tax	**21,154**	7,801
Deferred income tax (Note 30)	**1,715**	7,431
Income tax expense	**22,869**	15,232

10 Income tax expense (Continued)

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

	Year ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000
Profit before income tax	**105,028**	71,139
Tax calculated at domestic tax rates applicable to profits in the respective countries	**22,968**	16,559
Effect of preferential tax rates[1]	**–**	(2,623)
Tax effect of share of results of associates	**–**	1,760
Income not subject to tax	**(7,143)**	(2,499)
Expenses not deductible for tax purpose	**4,401**	2,981
Utilisation of previously unrecognised tax losses	**(2,677)**	(2,476)
Withholding tax on earnings expected to be remitted by PRC subsidiaries	**3,615**	3,042
Tax losses for which no deferred income tax asset was recognised in current year	**3,624**	849
Recognition of previously unrecognised tax losses	**(2,061)**	–
Over provision in prior years	**(554)**	(2,643)
Others	**696**	282
Tax charge at the Group's effective tax rate	**22,869**	15,232

1 Under the PRC Corporate Income Tax ("CIT") law, enterprises are subject to CIT at the rate of 25% from 1 January 2008. Pursuant to the "Circular to implement of the Transitional Preferential Policies for the Enterprise Income Tax" issued by the State Council of the PRC on 26 December 2007, certain subsidiaries are subject to the transitional CIT rates from 18% to 25% from year 2008 to year 2012 and other subsidiaries are subject to the unified CIT rate of 25%.

For the year ended 31 December 2013 and the period from 1 April to 31 December 2012, there was no tax charge relating to components of other comprehensive income.

11 Profit attributable to owners of the Company

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of HK$37,702,000 (period from 1 April to 31 December 2012: HK$7,433,000).

12 Earnings per share

(a) Basic earnings per share

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

	Year ended 31 December 2013	Period from 1 April to 31 December 2012
Profit attributable to owners of the Company (HK$'000)	**77,209**	53,930
Weighted average number of ordinary shares in issue excluding own held shares for calculation of basic earnings per share (thousands)	**904,651**	903,139
Basic earnings per share (HK cents per share)	**8.5**	6.0

12 Earnings per share (Continued)

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: shares repurchased for the purpose of share award scheme (Note 33). 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.

	Year ended 31 December 2013	Period from 1 April to 31 December 2012
Profit attributable to owners of the Company (HK$'000)	**77,209**	53,930
Weighted average number of ordinary shares in issue excluding own held shares for calculation of diluted earnings per share (thousands)	**904,800**	904,331
Diluted earnings per share (HK cents per share)	**8.5**	6.0

13 Dividends

	Year ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000
Interim dividend of HK1.7 cents (period from 1 April to 31 December 2012: HK3 cents) per ordinary share	**15,434**	27,236
Proposed final dividend of HK5.3 cents (period from 1 April to 31 December 2012: HK2 cents) per ordinary share	**48,117**	18,157
	63,551	45,393

The Directors recommend the payment of a final dividend of HK5.3 cents per ordinary share. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company to be held on 20 May 2014. These consolidated financial statements do not reflect this as dividend payable but account for it as proposed dividends in reserves (Note 32).

14 Property, plant and equipment

Group

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
At 1 April 2012:					
Cost	710,796	1,710,867	33,050	128,605	2,583,318
Accumulated depreciation	(193,412)	(910,233)	(26,682)	(86,874)	(1,217,201)
Net book amount	517,384	800,634	6,368	41,731	1,366,117
Period from 1 April to 31 December 2012					
Opening net book amount	517,384	800,634	6,368	41,731	1,366,117
Additions	473	44,497	2,950	4,426	52,346
Transfer from properties under construction (Note 18)	–	16,333	–	–	16,333
Transfer from deposits for acquisition of property, plant and equipment	–	2,767	–	–	2,767
Disposals	(167)	(3,344)	(404)	(159)	(4,074)
Depreciation (Note 6)	(15,631)	(62,811)	(1,595)	(5,959)	(85,996)
Exchange differences	1,963	2,890	13	71	4,937
Closing net book amount	504,022	800,966	7,332	40,110	1,352,430
At 31 December 2012:					
Cost	713,045	1,764,034	33,591	131,818	2,642,488
Accumulated depreciation	(209,023)	(963,068)	(26,259)	(91,708)	(1,290,058)
Net book amount	504,022	800,966	7,332	40,110	1,352,430
Year ended 31 December 2013					
Opening net book amount	**504,022**	**800,966**	**7,332**	**40,110**	**1,352,430**
Additions	**2,097**	**32,641**	**3,542**	**3,371**	**41,651**
Transfer from properties under construction (Note 18)	**1,988**	**9,835**	**–**	**98**	**11,921**
Disposals	**–**	**(1,374)**	**(386)**	**(283)**	**(2,043)**
Depreciation (Note 6)	**(20,992)**	**(82,500)**	**(2,623)**	**(7,037)**	**(113,152)**
Exchange differences	**6,558**	**10,066**	**51**	**226**	**16,901**
Closing net book amount	**493,673**	**769,634**	**7,916**	**36,485**	**1,307,708**
At 31 December 2013:					
Cost	**726,106**	**1,824,544**	**35,791**	**132,682**	**2,719,123**
Accumulated depreciation	**(232,433)**	**(1,054,910)**	**(27,875)**	**(96,197)**	**(1,411,415)**
Net book amount	**493,673**	**769,634**	**7,916**	**36,485**	**1,307,708**

Certain buildings of the Group with a total net book amount of HK$76,438,000 (2012: HK$77,137,000) have been pledged to secure banking facilities granted to the Group (Note 29).

14 Property, plant and equipment (Continued)

Company

	Motor vehicles HK$'000	**Furniture, fixtures and equipment** HK$'000	**Total** HK$'000
At 1 April 2012:			
Cost	424	834	1,258
Accumulated depreciation	(190)	(806)	(996)
Net book amount	234	28	262
Period from 1 April to 31 December 2012			
Opening net book amount	234	28	262
Depreciation	(53)	(5)	(58)
Closing net book amount	181	23	204
At 31 December 2012:			
Cost	424	834	1,258
Accumulated depreciation	(243)	(811)	(1,054)
Net book amount	181	23	204
Year ended 31 December 2013			
Opening net book amount	**181**	**23**	**204**
Additions	**988**	**–**	**988**
Disposals	**(173)**	**–**	**(173)**
Depreciation	**(278)**	**(5)**	**(283)**
Closing net book amount	**718**	**18**	**736**
At 31 December 2013:			
Cost	**1,157**	**834**	**1,991**
Accumulated depreciation	**(439)**	**(816)**	**(1,255)**
Net book amount	**718**	**18**	**736**

15 Land use rights

The movements of land use rights are as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Opening net book amount	**107,162**	109,215	**7,781**	8,201
Amortisation (Note 6)	**(3,211)**	(2,390)	**(559)**	(420)
Exchange differences	**1,118**	337	**–**	–
Closing net book amount	**105,069**	107,162	**7,222**	7,781

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

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong:				
Medium term leases	**17,404**	17,944	**–**	–
The PRC:				
Medium term leases	**87,665**	89,218	**7,222**	7,781
Closing net book amount	**105,069**	107,162	**7,222**	7,781

Certain leasehold lands of the Group with a total net book amount of HK$17,543,000 (2012: HK$17,562,000) have been pledged to banks to secure banking facilities granted to the Group (Note 29).

16 Intangible assets

Group

	Goodwill HK$'000	Club debentures HK$'000	Software HK$'000	Total HK$'000
At 1 April 2012:				
Cost or valuation	1,634	6,800	4,651	13,085
Accumulated amortisation	–	–	(1,945)	(1,945)
Net book amount	1,634	6,800	2,706	11,140
Period from 1 April to 31 December 2012				
Opening net book amount	1,634	6,800	2,706	11,140
Additions	–	–	270	270
Write-off	–	–	(639)	(639)
Fair value change	–	(800)	–	(800)
Amortisation (Note 6)	–	–	(1,032)	(1,032)
Exchange differences	–	–	1	1
Closing net book amount	1,634	6,000	1,306	8,940
At 31 December 2012:				
Cost or valuation	1,634	6,000	3,183	10,817
Accumulated amortisation	–	–	(1,877)	(1,877)
Net book amount	1,634	6,000	1,306	8,940
Year ended 31 December 2013				
Opening net book amount	**1,634**	**6,000**	**1,306**	**8,940**
Additions	**–**	**–**	**832**	**832**
Fair value change	**–**	**(450)**	**–**	**(450)**
Amortisation (Note 6)	**–**	**–**	**(822)**	**(822)**
Exchange differences	**–**	**–**	**1**	**1**
Closing net book amount	**1,634**	**5,550**	**1,317**	**8,501**
At 31 December 2013:				
Cost or valuation	**1,634**	**5,550**	**4,019**	**11,203**
Accumulated amortisation	**–**	**–**	**(2,702)**	**(2,702)**
Net book amount	**1,634**	**5,550**	**1,317**	**8,501**

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

16 Intangible assets (Continued)

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

Group

	Goodwill HK$'000	Club debentures HK$'000	Software HK$'000	Total HK$'000
At 31 December 2013:				
At cost	**1,634**	**–**	**4,019**	**5,653**
At valuation	**–**	**5,550**	**–**	**5,550**
	1,634	**5,550**	**4,019**	**11,203**
At 31 December 2012:				
At cost	1,634	–	3,183	4,817
At valuation	–	6,000	–	6,000
	1,634	6,000	3,183	10,817

17 Available-for-sale financial assets

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

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Beginning balance	**22,463**	8,034	**9,183**	566
Redesignated from investments in associates (Note 20)	**–**	12,670	**–**	8,600
Transfer from non-controlling interests upon redesignation of investments in associates	**–**	1,660	**–**	–
Disposal of equity interest (Note 36)	**(5,733)**	–	**(5,733)**	–
Net gain transfer to equity	**26,048**	82	**8,780**	–
Exchange differences	**168**	–	**–**	–
Others	**(17)**	17	**(17)**	17
Ending balance	**42,929**	22,463	**12,213**	9,183

17 Available-for-sale financial assets (Continued)

Available-for-sale financial assets include the following:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted equity investments, at fair value	**34,941**	14,330	**11,647**	8,600
Unlisted equity investments, at cost	**80**	80	**–**	–
Club debentures, at fair value	**566**	583	**566**	583
Hong Kong listed equity investments, at fair value	**7,342**	7,470	**–**	–
	42,929	22,463	**12,213**	9,183

During the year, a fair value gain of the Group's available-for-sale financial assets of HK$26,048,000 (period from 1 April to 31 December 2012: HK$82,000) was recognised directly in the available-for-sale investment revaluation reserve.

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

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

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**7,988**	8,133	**566**	583
RMB	**34,941**	14,330	**11,647**	8,600
	42,929	22,463	**12,213**	9,183

18 Properties under construction

	Group 2013 HK$'000	Group 2012 HK$'000
Beginning net book amount	**12,262**	19,391
Additions	**9,536**	8,878
Transfer from deposits for acquisition of property, plant and equipment	**–**	297
Transfer to property, plant and equipment (Note 14)	**(11,921)**	(16,333)
Exchange differences	**207**	29
Ending net book amount	**10,084**	12,262

The properties under construction are located in the PRC.

19 Investments in subsidiaries

	Company 2013 HK$'000	Company 2012 HK$'000
Unlisted shares, at cost		
Beginning and ending balance	**279,926**	279,926
Loan to a subsidiary	**40,000**	40,000
Investments in subsidiaries	**319,926**	319,926

Loan to a subsidiary is unsecured, interest-free and repayable after twelve months from the end of the reporting period.

19 Investments in subsidiaries (Continued)

The following is a list of the principal subsidiaries at 31 December 2013:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/registered and paid up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hung Hing Off-Set Printing Company, Limited	Hong Kong	HK$100	100	–	Production and trading of paper products and carton boxes
Sun Hing Paper Company, Limited	Hong Kong	HK$100	100	–	Paper trading
Hung Hing Printing (China) Company Limited §§	The PRC	HK$566,000,000	–	100	Production and colour printing of paper products
Tai Hing Paper Products Company, Limited	Hong Kong	HK$100	100	–	Trading of corrugated cartons
Piguet Graphic & Prints Company Limited	Hong Kong	HK$1,000,000	100	–	Inactive
Beluga Limited	Hong Kong	HK$2	100	–	E-bookstore and E-publishing
Zhongshan Hung Hing Printing & Packaging Company Limited §	The PRC	US$20,000,000	–	71	Printing and manufacturing of paper cartons
Zhongshan Hung Hing Off-Set Printing Company Limited §	The PRC	US$5,000,000	–	71	Production and colour printing of paper products
Hung Hing International Limited	British Virgin Islands ("BVI")/ Hong Kong	US$100	100	–	Investment holding
South Gain Enterprises Limited	Hong Kong	HK$1,700,000	–	71	Selling and purchasing agent
Po Hing Packaging (Shenzhen) Company Limited §§	The PRC	US$11,200,000	–	100	Printing and manufacturing of paper cartons
Zhongshan South Gain Paper Products Company Limited §§	The PRC	US$15,000,000	–	71	Printing and manufacturing of paper cartons
Sun Hing Paper (Shenzhen) Company Limited §§	The PRC	HK$30,000,000	–	100	Paper trading
Hung Hing Packaging (Wuxi) Company Limited §§	The PRC	US$31,050,000	100	–	Production and colour printing of paper products
Hung Hing Printing (Heshan) Company Limited §§	The PRC	HK$290,000,000	–	100	Production and colour printing of paper products
Jun Hing Company Limited §§	The PRC	HK$19,200,000	–	100	Paper trading

§ Sino-foreign equity joint venture

§§ Wholly foreign-owned enterprise

20 Investments in associates

	Group 2012 HK$'000
Beginning balance	41,080
Share of losses of associates	(10,669)
Share of reserves	195
Provision for impairment	(17,936)
Redesignation of associates to available-for-sale financial assets (Notes 17 and 35)	(12,670)
Ending balance	–

	Company 2012 HK$'000
Unlisted shares, at cost	
Beginning balance	16,452
Reversal upon redesignation of associates to available-for-sale financial assets	(13,338)
Disposal of an associate (Note 34)	(3,114)
Ending balance	–
Provision for impairment	
Beginning balance	(3,114)
Additions	(4,738)
Reversal upon redesignation of associates to available-for-sale financial assets	4,738
Reversal upon disposal of an associate (Note 34)	3,114
Ending balance	–
Carrying value	–

20 Investments in associates (Continued)

	Group Period from 1 April to 31 December 2012 HK$'000
Share of losses of associates:	
Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited	4,690
Zhongshan Ren Hing Paper Manufacturing Company Limited	5,979
	10,669

All the associates had either been disposed of or redesignated as available-for-sale financial assets as of 31 December 2012 (Notes 34 and 17).

21 Inventories

	Group	
	2013 **HK$'000**	2012 HK$'000
Raw materials	**423,767**	479,906
Work in progress	**68,952**	82,124
Finished goods	**80,008**	72,188
	572,727	634,218
Less: provision for impairment of inventories	**(23,063)**	(20,749)
	549,664	613,469

The cost of inventories recognises as expenses and included in "cost of sales" amounted to HK$1,606,235,000 (period from 1 April to 31 December 2012: HK$1,318,923,000), which included provision for impairment of inventories of HK$2,314,000 (period from 1 April to 31 December 2012: reversal of provision for impairment of inventories HK$583,000).

22 Trade and bills receivables

	Group 2013 HK$'000	Group 2012 HK$'000
Trade receivables	**850,054**	844,022
Less: provision for impairment of trade receivables	**(24,256)**	(26,650)
	825,798	817,372
Trade receivables due from related parties	**386**	4,689
Total trade receivables, net	**826,184**	822,061
Bills receivables	**8,334**	8,782
	834,518	830,843
Less: non-current trade receivables	**(1,797)**	(7,006)
	832,721	823,837

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

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

22 Trade and bills receivables (Continued)

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

	Group	
	2013	2012
	HK$'000	HK$'000
1–30 days	**323,352**	311,860
31–60 days	**186,427**	185,256
61–90 days	**103,366**	118,927
Over 90 days	**213,039**	206,018
	826,184	822,061

As of 31 December 2013, trade receivables of approximately HK$301,055,000 (2012: HK$280,771,000) were past due but not impaired. These relate to certain customers with no history of credit default and they are in continuous business relationships with the Group. Based on past experience, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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

	Group	
	2013	2012
	HK$'000	HK$'000
1–30 days	**143,671**	144,102
31–60 days	**69,858**	68,094
61–90 days	**40,682**	31,469
Over 90 days	**46,844**	37,106
	301,055	280,771

22 Trade and bills receivables (Continued)

As of 31 December 2013, trade receivables of approximately HK$24,256,000 (2012: HK$26,650,000) were past due and fully provided for. The individually impaired receivables were mainly related to smaller customers who were in financial difficulties. The aging analysis of these non-recoverable receivables based on due date is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
1–30 days	**–**	136
31–60 days	**–**	402
61–90 days	**–**	1,142
Over 90 days	**24,256**	24,970
	24,256	26,650

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

	Group	
	2013	2012
	HK$'000	HK$'000
Beginning balance	**26,650**	23,025
Provision for impairment of trade receivables (Note 6)	**3,499**	4,075
Amount written off as uncollectible	**(6,151)**	(577)
Exchange differences	**258**	127
Ending balance	**24,256**	26,650

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

The maximum exposure to credit risk at the end of the reporting period is the carrying value of the receivables (2012: same). Out of trade receivables of HK$850,054,000 (2012: HK$844,022,000), HK$3,508,000 (2012: HK$12,260,000) is secured by a property, interest-bearing at 5% per annum and fully repayable by April 2015. The remaining of HK$846,546,000 (2012: HK$831,762,000) and trade receivables due from related parties of HK$386,000 (2012: HK$4,689,000) are unsecured, interest-free and repayable in accordance with credit term granted.

22 Trade and bills receivables (Continued)

As of 31 December 2013 and 2012, the fair values of the trade and bills receivables are approximately their carrying amounts.

As of 31 December 2013 and 2012, trade and bills receivables are denominated in the following currencies:

	Group	
	2013	2012
	HK$'000	HK$'000
HK$	**221,367**	163,893
USD	**348,449**	364,968
RMB	**242,003**	284,038
Others	**22,699**	17,944
	834,518	830,843

23 Prepayments, deposits and other receivables

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments and deposits	**26,779**	23,280	**857**	930
Other receivables	**33,759**	20,342	**24,327**	294
	60,538	43,622	**25,184**	1,224

At 31 December 2013, other receivables included a disposal receivable amounted to HK$23,011,000 (Note 36).

24 Derivative financial instruments

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current assets				
Forward currency contracts	**1,868**	1,117	**–**	181
Swap contract	**693**	–	**693**	–
	2,561	1,117	**693**	181

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

The Group has entered into various forward currency contracts and swap contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting. The net fair value gain of non-hedging derivatives amounting to HK$11,692,000 was credited to the consolidated income statement during the year (period from 1 April to 31 December 2012: HK$3,239,000) (Note 5).

At of 31 December 2013 and 2012, the notional principal amounts of the outstanding forward currency contracts and swap contract are as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Sell USD Buy RMB	**172,170**	85,250	**24,920**	38,750
Sell HK$ Buy RMB	**–**	15,940	**–**	15,940
	172,170	101,190	**24,920**	54,690

25 Pledged time deposits

As of 31 December 2013 and 2012, the pledged time deposits were denominated in RMB. Time deposits of HK$47,476,000 (2012: HK$44,735,000) and HK$332,000 (2012: HK$1,379,000) were pledged as collaterals for the issuance of bills payable (Note 27) and the Group's banking facilities (Note 29), respectively.

26 Cash and cash equivalents

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and on hand	**218,744**	317,200	**6,222**	10,672
Time deposits with original maturity less than three months	**390,162**	216,145	**217,676**	139,595
	608,906	533,345	**223,898**	150,267

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**68,531**	130,786	**45,184**	75,680
RMB	**512,620**	327,784	**177,708**	73,779
USD	**18,850**	55,650	**982**	783
GBP	**1,055**	3,334	**23**	23
EUR	**7,775**	15,711	**1**	2
Others	**75**	80	**–**	–
	608,906	533,345	**223,898**	150,267

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Maximum exposure to credit risk on cash and cash equivalents	**607,158**	531,832	**223,890**	150,259

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

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

27 Trade and bills payables

	Group 2013 HK$'000	Group 2012 HK$'000
Trade payables	**196,844**	151,882
Trade payables due to related parties	**2,463**	16,546
Total trade payables	**199,307**	168,428
Bills payables	**31,639**	13,459
	230,946	181,887

As of 31 December 2013, the bills payables of HK$11,546,000 (2012: HK$11,178,000) are secured by the pledged time deposits of HK$47,476,000 (2012: HK$44,735,000).

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

	Group 2013 HK$'000	Group 2012 HK$'000
1–30 days	**132,764**	120,230
31–60 days	**49,180**	36,538
61–90 days	**13,803**	6,236
Over 90 days	**3,560**	5,424
	199,307	168,428

27 Trade and bills payables (Continued)

As of 31 December 2013 and 2012, the fair values of the trade and bills payables are approximately their carrying amounts and they are denominated in the following currencies:

	Group	
	2013	2012
	HK$'000	HK$'000
HK$	**20,735**	35,670
USD	**33,650**	3,282
RMB	**176,561**	142,935
	230,946	181,887

28 Other payables and accrued liabilities

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**27,650**	42,381	**356**	644
Accrued liabilities	**152,687**	135,382	**7,703**	3,863
Financial liabilities	**180,337**	177,763	**8,059**	4,507
Provision for long service payment	**1,160**	2,058	**60**	69
Provision for annual leave	**2,387**	2,423	**379**	372
	183,884	182,244	**8,498**	4,948

29 Borrowings

	Effective interest rate		Maturity		Group	
	2013	2012	**2013**	2012	**2013**	2012
					HK$'000	HK$'000
Current						
Bank loans – guaranteed (Note a)	**1-3%**	1-6%	**2014**	2013	**203,937**	152,266
Bank loans – secured (Note b)	**3%**	2%	**2014**	2013	**273**	1,052
					204,210	153,318
Non-current						
Bank loans – guaranteed (Note a)	**1-2%**	1-2%	**2015-2017**	2016	**195,000**	228,937
					399,210	382,255

Note:

(a) Bank loans amounting to HK$398,937,000 (2012: HK$381,203,000) are secured by the corporate guarantees issued by the Company (Note 40).

(b) Bank loan amounting to HK$273,000 (2012: HK$1,052,000) are secured by the pledge of certain of the Group's buildings, land use rights and time deposits, which had an aggregate carrying value at the end of the reporting period of approximately HK$94,313,000 (2012: HK$96,078,000) (Notes 14, 15 and 25).

The Group had bank loan and trade facilities of HK$821,943,000 (2012: HK$1,075,888,000), of which HK$534,783,000 (2012: HK$508,077,000) 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.

29 Borrowings (Continued)

The fair values of the borrowings approximate to their carrying amounts at the end of the reporting period as most of the borrowings carry floating rate interests (2012: same).

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

	Group	
	2013	2012
	HK$'000	HK$'000
HK$	**399,210**	368,313
RMB	**–**	5,521
USD	**–**	8,421
	399,210	382,255

30 Deferred income tax

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

	Group	
	2013	2012
	HK$'000	HK$'000
Deferred income tax assets*:		
– to be realised after more than 12 months	**14,090**	9,664
Deferred income tax liabilities*:		
– to be realised after more than 12 months	**(54,412)**	(47,749)
Deferred income tax liabilities, net	**(40,322)**	(38,085)

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

30 Deferred income tax (Continued)

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

	Group	
	2013	2012
	HK$'000	HK$'000
Beginning balance	**(38,085)**	(30,465)
Charged to consolidated income statement (Note 10)	**(1,715)**	(7,431)
Exchange differences	**(522)**	(189)
Ending balance	**(40,322)**	(38,085)

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

Deferred income tax assets

	Provision for impairment of trade receivables	**Tax losses**	**Others**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2012	4,061	18,945	10,844	33,850
(Charged)/credited to consolidated income statement	141	(679)	(739)	(1,277)
Exchange differences	29	121	23	173
At 31 December 2012	4,231	18,387	10,128	32,746
Credited/(charged) to consolidated income statement	(48)	7,012	(1,080)	5,884
Exchange differences	37	600	116	753
At 31 December 2013	4,220	25,999	9,164	39,383

30 Deferred income tax (Continued)

Deferred income tax liabilities

	Accelerated tax depreciation HK$'000	Withholding tax HK$'000	Total HK$'000
At 1 April 2012	62,656	1,659	64,315
Charged to consolidated income statement	3,112	3,042	6,154
Exchange differences	313	49	362
At 31 December 2012	66,081	4,750	70,831
Charged to consolidated income statement	3,984	3,615	7,599
Exchange differences	1,078	197	1,275
At 31 December 2013	71,143	8,562	79,705

The Group has tax losses arising in Hong Kong of HK$64,389,000 (2012: HK$71,705,000) and the PRC of HK$132,407,000 (2012: HK$109,229,000), which are available for offsetting against future taxable profits of the companies in which the losses arose. These tax losses are subject to further approval by relevant tax authorities. The tax losses arising in the Hong Kong do not have any expiry date, while those arising in the PRC are due to expire within five years.

Among the tax losses arising in Hong Kong and the PRC, tax losses amounting HK$106,268,000 (2012: HK$74,148,000) has been recognised as deferred tax assets of HK$25,999,000 (2012: HK$18,387,000) as the directors are of opinion that it is probable future taxable profits will be available against which these unused tax losses can be utilised.

Deferred income tax liabilities of HK$16,325,000 (2012: HK$16,292,000) have not been recognised as of 31 December 2013 for the withholding tax and other taxes that would be payable on the unremitted earnings of subsidiaries established in the PRC. Unremitted earnings totalled HK$163,246,000 at 31 December 2013 (2012: HK$162,924,000).

31 Share capital

	2013 Number of shares	2012 Number of shares	**2013 HK$'000**	2012 HK$'000
Authorised ordinary shares of HK$0.10 each	**1,200,000,000**	1,200,000,000	**120,000**	120,000
Issued and fully paid ordinary shares of HK$0.10 each	**907,864,974**	907,864,974	**90,787**	90,787

	Number of shares in issue	**Issued capital** HK$'000	**Share premium** HK$'000	**Total** HK$'000
At 1 April 2012, 31 December 2012 and 31 December 2013	907,864,974	90,787	1,559,461	1,650,248

During the year ended 31 December 2013 and period from 1 April to 31 December 2012, the Company did not repurchase any of its own shares.

32 Reserves

(a) Group

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

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

32 Reserves (Continued)

(b) Company

	Share premium HK$'000	Other capital reserves HK$'000	Available-for-sale investment revaluation reserve HK$'000	Equity compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2012	1,559,461	(13,228)	–	10,673	497,411	2,054,317
Comprehensive income						
Profit for the period (Note 11)	–	–	–	–	7,433	7,433
Total comprehensive income	–	–	–	–	7,433	7,433
Equity compensation expenses (Note 33)	–	–	–	1,903	–	1,903
Shares vested under the restricted share award scheme (Note 33)	–	4,739	–	(4,739)	–	–
Interim dividend (Note 13)	–	–	–	–	(27,236)	(27,236)
Proposed final dividend (Note 13)	–	–	–	–	(18,157)	(18,157)
At 31 December 2012	1,559,461	(8,489)	–	7,837	459,451	2,018,260
At 1 January 2013	1,559,461	(8,489)	–	7,837	459,451	2,018,260
Comprehensive income						
Profit for the year (Note 11)	–	–	–	–	37,702	37,702
Other comprehensive income						
Gain on revaluation	–	–	8,780	–	–	8,780
Total comprehensive income	–	–	8,780	–	37,702	46,482
Equity compensation expenses (Note 33)	–	–	–	1,162	–	1,162
Shares vested under the restricted share award scheme (Note 33)	–	4,739	–	(4,739)	–	–
Forfeiture of shares awarded (Note 33)	–	–	–	(226)	226	–
Interim dividend (Note 13)	–	–	–	–	(15,434)	(15,434)
Proposed final dividend (Note 13)	–	–	–	–	(48,117)	(48,117)
At 31 December 2013	1,559,461	(3,750)	8,780	4,034	433,828	2,002,353

33 Restricted share award scheme

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

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

Under the rules of the Scheme, shares will be awarded to the participants of the Scheme when certain performance target is met and shares will be awarded to the participants on or before 30 June of each financial year. There was no share offered and awarded to the participants during the year ended 31 December 2013 and the period from 1 April to 31 December 2012.

The shares granted will be vested to the participants in three equal tranches upon certain vesting conditions are fulfilled. A total of 1,938,071 shares (period from 1 April to 31 December 2012: 1,938,066 shares) at an average fair value of HK$4,739,000 (period from 1 April to 31 December 2012: HK$4,739,000) were vested during the year/period.

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

Share-based payments of HK$1,162,000 (period from 1 April to 31 December 2012: HK$1,903,000) has been recognised in the consolidated income statement as employee benefits expenses (Notes 8 and 9).

During the year ended 31 December 2013, shares awarded amounted to HK$226,000 (period from 1 April to 31 December 2012: Nil) were forfeited and HK$226,000 (period from 1 April to 31 December 2012: Nil) was transferred from equity compensation reserve to retained earnings accordingly.

33 Restricted share award scheme (Continued)

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

	2013		2012	
	Average fair value per share	**Number of shares awarded**	Average fair value per share	Number of shares awarded
Beginning balance		**2,976,669**		4,914,735
Forfeited	**2.14**	**(104,941)**	–	–
Vested	**2.45**	**(1,938,071)**	2.45	(1,938,066)
Ending balance		**933,657**		2,976,669

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

	Number of shares	
	2013	2012
Beginning balance	**4,504,672**	6,442,738
Shares vested during the year/period	**(1,938,071)**	(1,938,066)
Ending balance	**2,566,601**	4,504,672

There was no purchase of share for the scheme during the year ended 31 December 2013 and the period from 1 April to 31 December 2012.

34 Gains on disposal of an associate

There was no disposal of associate during the year ended 31 December 2013.

For the period from 1 April to 31 December 2012, on 28 December 2012, the Group entered into an agreement with the other existing shareholder of Graphic Hung Hing, pursuant to which the Group agreed to dispose of its 40% equity interest in Graphic Hung Hing, for a total consideration of US$1 (approximately HK$8).

The disposal was completed on 28 December 2012 and a gain on disposal of HK$5,934,000 was recognised in the consolidated income statement for the period from 1 April to 31 December 2012.

	Period from 1 April to 31 December 2012 HK$'000
Cost of investment	3,114
Provision for impairment	(3,114)
	–
Provision for counter indemnity receivables (Note)	6,232
Exchange reserve transferred to consolidated income statement upon disposal	(298)
Gain on disposal of an associate	5,934

Note: The Group had provided guarantees to Graphic Hung Hing for its bank borrowings up to US$2,000,000 (equivalent to HK$15,575,000) and has previously recognised a provision for guarantee amounted to HK$6,232,000. On 28 December 2012, the other existing shareholder of Graphic Hung Hing provided the Group with a letter of counter indemnity of US$2,000,000. Thus, the Group has recognised a counter indemnity receivables to the extent of the provision recognised previously of HK$6,232,000 as at 31 December 2012. On 30 June 2013, the Group has agreed with shareholder of Graphic Hung Hing for releasing the guarantee and thus the counter indemnity has been derecognised accordingly.

35 Loss on redesignation of investment in associates to available-for-sale financial assets

There was no redesignation of investment in associates to available-for-sale financial assets during the year ended 31 December 2013.

During the period from 1 April to 31 December 2012, on 20 December 2012, the Group entered into a supplemental agreement with the other existing shareholders of Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited and Zhongshan Ren Hing Paper Manufacturing Company Limited ("Paper Mill Entities"), pursuant to which the Group agreed to forgo all of its board seats in the Paper Mill Entities.

35 Loss on redesignation of investment in associates to available-for-sale financial assets (Continued)

As a result, the Group no longer exercises significant influence upon signing of the supplemental agreement, the investment in Paper Mill Entities was derecognised as an investment in associates and redesignated as an available-for-sale financial asset accordingly.

The redesignation of investment in associates to available-for-sale financial assets was completed on 20 December 2012 and a loss of HK$3,196,000 was recognised in the consolidated income statement for the period from 1 April to 31 December 2012.

	Period from 1 April to 31 December 2012 HK$'000
Fair value of interest in the Paper Mill Entities at date of redesignation (Note)	12,670
Carrying value of interest in the Paper Mill Entities at date of redesignation	(30,606)
Transferred to consolidated income statement upon redesignation	
Exchange reserve	14,759
Non-controlling interests	(19)
Loss on redesignation of investment in the Paper Mill Entities from associates to available-for-sale financial assets	(3,196)

Note:

The fair value of interest in the Paper Mill Entities at date of redesignation is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

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

Sales growth of 13% to 35%
Discount rate of 13%
Terminal value of 2%

Management determined budgeted sales growth based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant business units.

36 Gain on disposal of available-for-sales financial assets

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

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

	Year ended 31 December 2013 HK$'000
Disposal consideration for 7.5% equity interests in the Paper Mill Entities	**23,011**
Carrying value of the 7.5% equity interests in the Paper Mill Entities at date of disposal	**(5,733)**
Transaction costs	**(95)**
Gain on disposal of the investment in available-for-sales financial assets	**17,183**

At 31 December 2013, the disposal receivable amounted to HK$23,011,000 was recorded as an other receivable (Note 23).

There was no disposal of investment in available-for-sale financial assets during the period from 1 April to 31 December 2012.

37 Amounts due from/(to) subsidiaries and loan to a subsidiary

(a) Amounts due from/(to) subsidiaries

	Company	
	2013	2012
	HK$'000	HK$'000
Due from subsidiaries	**1,411,740**	1,624,733
Provision for impairment	**(1,353)**	(1,353)
	1,410,387	1,623,380
Due to subsidiaries	**1,358**	–

The amounts due from two subsidiaries amounting to HK$306,652,000 (2012: HK$484,440,000) bear interest rate at 2.5% per annum (2012: 2.5% per annum). The rest is interest-free. All the balances with subsidiaries are unsecured and repayable on demand.

The carrying amounts of these amounts due from/to subsidiaries are approximately their fair values.

(b) Loan to a subsidiary

The loan to a subsidiary is unsecured, interest-free and repayable within twelve months after the end of the reporting period.

The carrying amount of the loan to a subsidiary is approximately its fair value.

38 Related party transactions

(a) Transactions with related parties

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

	Year ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000
Sales of raw materials or finished goods to:		
Associates		
– Paper Mill Entities	**–**	24,029
– Other	**–**	3,831
A substantial shareholder	**6,550**	2,044
Parties under control of a substantial shareholder		
– Paper Mill Entities	**16,661**	–
– Other	**1,956**	1,020
Purchases of raw materials from:		
Associates		
– Paper Mill Entities	**–**	61,023
– Other	**–**	2,805
Parties under control of a substantial shareholder		
– Paper Mill Entities	**54,925**	–
– Other	**889**	1,594
Rental income from an associate	**–**	380

Note:

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

38 Related party transactions (Continued)

(b) Outstanding balances with related parties

Save as disclosed in Notes 19, 22, 27 and 37, there were no outstanding balances with related parties as at 31 December 2013 (2012: Nil).

(c) Compensation of key management personnel of the Group

	Year ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000
Short-term employment benefits	**29,383**	16,067
Post-employment benefits	**529**	382
	29,912	16,449

39 Note to the consolidated statement of cash flows

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

	Note	Year ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000
Cash flows from operating activities			
Profit before income tax		**105,028**	71,139
Adjustments for:			
Finance costs		**6,729**	7,214
Share of losses of associates	20	**–**	10,669
Bank interest income	5	**(12,944)**	(8,807)
Dividend income from available-for-sale financial assets	5	**(348)**	(348)
Restricted share award scheme expenses	33	**1,162**	1,903
Provision/(reversal of provision) for impairment of available-for-sale financial assets		**17**	(17)
Fair value gain on derivative financial instruments not qualified as hedges, net	5	**(11,692)**	(3,239)
Interest income from a derivative financial instrument	5	**(2,041)**	–
Gain on disposal of available-for-sale financial assets	36	**(17,183)**	–
Gain on disposal of an associate	34	**–**	(5,934)
Loss on redesignation of investment in associates to available-for-sale financial assets	35	**–**	3,196
Depreciation of property, plant and equipment	14	**113,152**	85,996
Amortisation of land use rights	15	**3,211**	2,390
Amortisation of intangible assets	16	**822**	1,032
Provision for impairment of trade receivables	6	**3,499**	4,075
Provision/(reversal of provision) for impairment of inventories, net	6	**2,314**	(583)
Loss on disposals of property, plant and equipment	6	**813**	1,517
Loss on disposal of intangible assets	6	**–**	639
		192,539	170,842
Decrease in inventories		**61,491**	98,512
Increase in trade and bills receivables		**(7,174)**	(186,968)
Decrease in prepayments, deposits and other receivables		**7,215**	18,174
Decrease in amounts due from associates		**–**	484
Increase/(decrease) in trade and bills payables		**49,059**	(42,022)
Increase in other payables and accrued liabilities		**1,702**	31,138
Cash generated from operations		**304,832**	90,160

39 Note to the consolidated statement of cash flows (Continued)

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

	Year ended 31 December 2013 HK$	Period from 1 April to 31 December 2012 HK$
Net book amount (Note 14)	**2,043**	4,074
Loss on disposals of property, plant and equipment (Note 39(a))	**(813)**	(1,517)
Proceeds from disposals of property, plant and equipment	**1,230**	2,557

40 Contingent liabilities

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

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

	Group		**Company**	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Subsidiaries	**–**	–	**2,064,406**	1,977,483
A related company	**19,375**	23,068	**19,375**	23,068
A former associate	**–**	6,232	**–**	6,232
	19,375	29,300	**2,083,781**	2,006,783

Out of the total guarantees given by the Company as at 31 December 2013, HK$430,000,000 has been expired at the end of February 2014 and approximately HK$940,000,000 is for back-up facility free of any costs.

40 Contingent liabilities (Continued)

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Subsidiaries	**–**	–	**534,510**	507,026
A related company	**19,375**	23,068	**19,375**	23,068
A former associate	**–**	6,232	**–**	6,232
	19,375	29,300	**553,885**	536,326

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

41 Commitments

(a) Operating lease commitments

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

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**6,515**	6,101	**684**	594
Later than one year and not later than five years	**18,367**	15,370	**335**	–
Later than five years	**65,862**	67,094	**–**	–
	90,744	88,565	**1,019**	594

41 Commitments (Continued)

(b) Capital commitments

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

	Group	
	2013	2012
	HK$'000	HK$'000
Contracted for, but not provided for	**33,604**	8,729
Authorised but not contracted for	**–**	–

At 31 December 2013 and 2012, the Company had no capital commitments.

42 Financial instruments by category

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

Group

Assets per consolidated statement of financial position

	Assets at fair value through profit or loss		Loans and receivables		Available-for-sale financial assets		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2103**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Available-for-sale financial assets (Note 17)	**–**	–	**–**	–	**42,929**	22,463	**42,929**	22,463
Trade and bills receivables (Note 22)	**–**	–	**834,518**	830,843	**–**	–	**834,518**	830,843
Other receivables (Note 23)	**–**	–	**33,759**	20,342	**–**	–	**33,759**	20,342
Derivative financial instruments (Note 24)	**2,561**	1,117	**–**	–	**–**	–	**2,561**	1,117
Pledged time deposits (Note 25)	**–**	–	**47,808**	46,114	**–**	–	**47,808**	46,114
Time deposits with original maturity over three months	**–**	–	**213,685**	43,587	**–**	–	**213,685**	43,587
Cash and cash equivalents (Note 26)	**–**	–	**608,906**	533,345	**–**	–	**608,906**	533,345
	2,561	1,117	**1,738,676**	1,474,231	**42,929**	22,463	**1,784,166**	1,497,811

42 Financial instruments by category (Continued)

Liabilities per consolidated statement of financial position

	Financial liabilities at amortised cost	
	2013	2012
	HK$'000	HK$'000
Trade and bills payables (Note 27)	**230,946**	181,887
Other payables and accrued liabilities (Note 28)	**180,337**	177,763
Borrowings (Note 29)	**399,210**	382,255
	810,493	741,905

Company

Assets per statement of financial position

	Assets at fair value through profit or loss		Loans and receivables		Available-for-sale financial assets		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Available-for-sale financial assets (Note 17)	**–**	–	**–**	–	**12,213**	9,183	**12,213**	9,183
Other receivables (Note 23)	**–**	–	**24,327**	294	**–**	–	**24,327**	294
Derivative financial instruments (Note 24)	**693**	181	**–**	–	**–**	–	**693**	181
Loans to subsidiaries (Notes 19 and 37(b))	**–**	–	**46,407**	59,925	**–**	–	**46,407**	59,925
Amounts due from subsidiaries (Note 37(a))	**–**	–	**1,410,387**	1,623,380	**–**	–	**1,410,387**	1,623,380
Time deposits with original maturity over three months	**–**	–	**142,852**	–	**–**	–	**142,852**	–
Cash and cash equivalents (Note 26)	**–**	–	**223,898**	150,267	**–**	–	**223,898**	150,267
	693	181	**1,847,871**	1,833,866	**12,213**	9,183	**1,860,777**	1,843,230

42 Financial instruments by category (Continued)

Liabilities per statement of financial position

	Financial liabilities at amortised cost	
	2013	2012
	HK$'000	HK$'000
Amounts due to subsidiaries (Note 37(a))	**1,358**	–
Other payables and accrued liabilities (Note 28)	**8,059**	4,507
	9,417	4,507

43 Financial risk management

43.1 Financial risk factors

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

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

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

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

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

(a) *Interest rate risk*

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

43 Financial risk management (Continued)

43.1 Financial risk factors (Continued)

(a) *Interest rate risk (Continued)*

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses interest rate swaps to manage its long-term borrowings which bear floating interest rates. At 31 December 2013 and 2012, the Group did not enter any interest rate swaps arrangement.

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

		Group	**Company**
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in profit before tax**
		HK$'000	HK$'000
31 December 2013			
Hong Kong dollar	**50**	**1,333**	**1,803**
Hong Kong dollar	**(50)**	**(1,333)**	**1,803**
31 December 2012			
Hong Kong dollar	50	(377)	698
Hong Kong dollar	(50)	377	(698)

(b) *Foreign currency risk*

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

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

43 Financial risk management (Continued)

43.1 Financial risk factors (Continued)

(b) Foreign currency risk (Continued)

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.

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

31 December 2013

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

31 December 2012

Financial instruments denominated in or linked to currency denominated in:	Increase in exchange rate (i.e. HK$ weaken) of denominated currency against HK$		Increase in profit before tax		Decrease in exchange rate of denominated currency against HK$		Decrease in profit before tax	
	Group	Company	Group	Company	Group	Company	Group	Company
	%	%	HK$'000	HK$'000	%	%	HK$'000	HK$'000
USD	0.5	0.5	1,927	4	(0.5)	(0.5)	(1,927)	(4)
RMB	2	2	7,282	1,791	(2)	(2)	(7,282)	(1,791)

43 Financial risk management (Continued)

43.1 Financial risk factors (Continued)

(c) *Credit risk*

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

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

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in Note 22 to the financial statements.

(d) *Price risk*

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

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

43 Financial risk management (Continued)

43.1 Financial risk factors (Continued)

(e) Liquidity risk

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

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

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

Group

	Maturity analysis – Undiscounted cash flow							
			Between		Between			
	Less than 1 year		1 and 2 years		2 and 5 years		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Borrowings, including interest payable	**184,917**	157,290	**110,697**	132,369	**114,022**	100,702	**409,636**	390,361
Trade and bills payables	**230,946**	181,887	**–**	–	**–**	–	**230,946**	181,887
Other payables and accrued liabilities	**180,337**	177,763	**–**	–	**–**	–	**180,337**	177,763
Financial guarantees (Note 40)	**19,375**	29,300	**–**	–	**–**	–	**19,375**	29,300
	615,575	546,240	**110,697**	132,369	**114,022**	100,702	**840,294**	779,311

43 Financial risk management (Continued)

43.1 Financial risk factors (Continued)

(e) Liquidity risk (Continued)

Company

	Maturity analysis – Undiscounted cash flow							
	Less than 1 year		Between 1 and 2 years		Between 2 and 5 years		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other payables and accrued liabilities	**8,059**	4,507	**–**	–	**–**	–	**8,059**	4,507
Financial guarantees (Note 40)	**1,888,781**	1,777,846	**94,333**	129,569	**100,667**	99,368	**2,083,781**	2,006,783
	1,896,840	1,782,353	**94,333**	129,569	**100,667**	99,368	**2,091,840**	2,011,290

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

Group

	Maturity analysis – Term loans subject to a repayment on demand clause based on scheduled repayments		
	Less than 1 year	**Between 1 and 5 years**	**Total undiscounted cash outflows**
	HK$'000	HK$'000	HK$'000
At 31 December 2013	12,902	24,369	37,271
At 31 December 2012	8,000	–	8,000

At 31 December 2013 and 2012, the Company had no term loans.

43 Financial risk management (Continued)

43.2 Capital risk management

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

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

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

During the year/period, the Group's strategy was to maintain the net debt gearing ratio below 30%. As at 31 December 2013 and 2012, the Group had net cash position as follows:

	2013	2012
	HK$'000	HK$'000
Cash and cash equivalents, time deposits with original maturity over three months and pledged time deposits	**870,399**	623,046
Total borrowings (Note 29)	**(399,210)**	(382,255)
Net cash	**471,189**	240,791

As the Group had a net cash position, the net debt gearing ratio as at 31 December 2013 was nil (2012: nil).

43 Financial risk management (Continued)

43.3 Fair value estimation

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

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

The following table presents the Group's assets that are measured at fair value at 31 December 2013 and 2012:

	Level 1		Level 2		Level 3		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets								
Available-for-sale financial assets								
– Unlisted equity investments	**–**	–	**–**	–	**34,941**	14,330	**34,941**	14,330
– Listed equity investments	**7,342**	7,470	**–**	–	**–**	–	**7,342**	7,470
– Club debentures	**–**	–	**–**	–	**566**	583	**566**	583
Derivative financial instruments	**–**	–	**–**	–	**2,561**	1,117	**2,561**	1,117
Total assets	**7,342**	7,470	**–**	–	**38,068**	16,030	**45,410**	23,500

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

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

43 Financial risk management (Continued)

43.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2013 and for the period from 1 April to 31 December 2012:

	Club debentures		Derivative financial instruments		Unlisted equity investments		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Opening balance	**583**	566	**1,117**	253	**14,330**	–	**16,030**	819
Gains/(loss) recognised in consolidated income statement	**(17)**	17	**13,733**	3,239	**–**	–	**13,716**	3,256
Net gain transfer to equity	**–**	–	**–**	–	**26,176**	–	**26,176**	–
Disposal of equity interest	**–**	–	**–**	–	**(5,733)**	–	**(5,733)**	–
Redesignation of associates to available-for-sale financial assets	**–**	–	**–**	–	**–**	14,330	**–**	14,330
Retired on maturity	**–**	–	**(12,289)**	(2,375)	**–**	–	**(12,289)**	(2,375)
Exchange difference	**–**	–	**–**	–	**168**	–	**168**	–
Closing balance	**566**	583	**2,561**	1,117	**34,941**	14,330	**38,068**	16,030
Total gains/(loss) for the year/period included in profit or loss for assets held at the end of the reporting period	**(17)**	17	**13,733**	3,239	**–**	–	**13,716**	3,256

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