年度報告

ANNUAL REPORT 2016

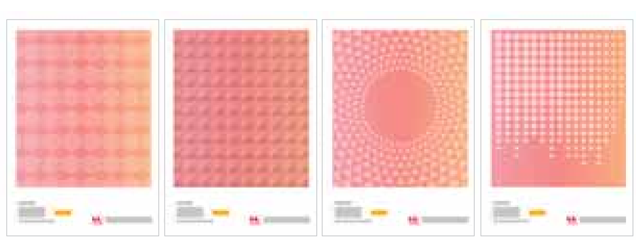
STOCK CODE 股份代號 ： 0450

HUNG HING

鴻興印刷集團有限公司

HUNG HING PRINTING GROUP LIMITED

CONTENT



Cover printed with Scodix Ultra-Pro + Foil Station Digital Enhancement Press.
Special effects include hi-rise gloss UV varnish and textured varnish + Gold Foiling.
This state-of-the-art technology is capable of producing very low print quantities economically and suitable for personalization/customization print projects. Cover is one of 4 designs used in this Annual Report.

CORPORATE PROFILE

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

Headquartered at the Tai Po Industrial Estate in Hong Kong, Hung Hing has plants at four locations across China, including three in the Guangdong province in Shenzhen, Zhongshan and Heshan, and one in Wuxi, near Shanghai. Its total production floor space reaches 500,000 square meters, with a workforce of around 9,200 in Hong Kong and China.

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

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

CORPORATE INFORMATION

Executive Directors
Yum Chak Ming, Matthew, Executive Chairman
Sung Chee Keung

Non-Executive Directors
Sadatoshi Inoue
Hirofumi Hori
Yoshihisa Suzuki
Yam Hon Ming, Tommy

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

Company Secretary
Shek Kwok Man

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
KPMG

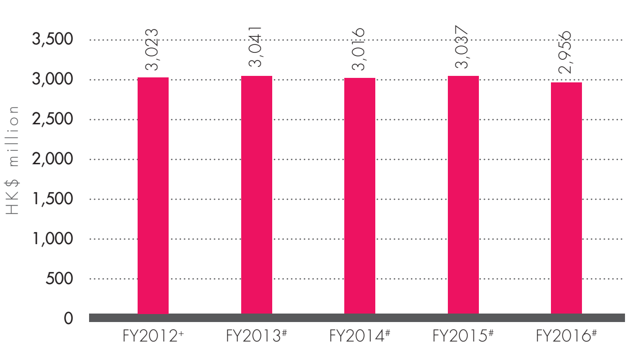
Share Registrar
Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

FINANCIAL HIGHLIGHTS

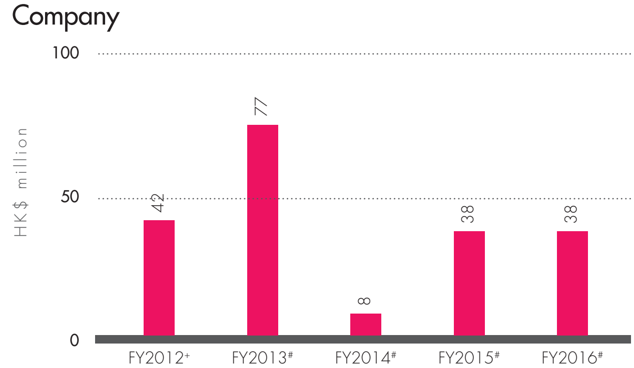
	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000
Revenue	**2,955,924**	3,036,933
Profit	**42,340**	42,511
Profit Attributable to Equity Shareholders of the Company	**37,785**	38,199
Basic Earnings per Share (HK cents)	**4.2**	4.2
Dividends per Share (HK cents)		
Interim Dividend	**1.0**	1.5
Final Dividend	**3.0**	2.5
	4.0	4.0

	At 31 December 2016 HK$'000	At 31 December 2015 HK$'000
Property, Plant and Equipment	**1,113,515**	1,183,805
Net Current Assets	**1,665,546**	1,599,677
Total Assets	**3,491,770**	3,533,033
Equity Attributable to Equity Shareholders of the Company	**2,612,856**	2,656,691

Revenue



Profit Attributable to Equity Shareholders of the Company



\+ Year ended 31 December 2012 (Unaudited)
\# Year ended 31 December

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Team = Together Everyone Achieves More

In 2016 the Group delivered a stable revenue performance built on our competitive advantages: agility to respond to customer needs, quality at competitive prices and a strong financial position. A general economic slowdown, lacklustre business sentiments, abrupt currency fluctuations and paper price volatility in the last quarter were the major challenges facing the industry as a whole, spurring margin pressure and consolidation. Thanks to the resilience and expertise of the management team and all our employees, we were able to control costs and develop innovative solutions to remain the preferred print and packaging partner of leading companies and brands worldwide.

Following a soft first half an improvement in business was witnessed in the third and fourth quarters with customers catching up on orders for the festive season. The largest of the Group's four business units, Book and Package Printing (BPP), grew by 2.5%. The growth was the result of a greater focus on the domestic mainland Chinese market through diversification into new product areas and customer segments. The Consumer Product Packaging (CPP) and Corrugated Box (CB) units were disadvantaged by an abrupt paper price surge in the fourth quarter, which affected margins. The Paper Trading (PT) unit, with its extensive network and experience in paper sourcing, helped all our business units weather this market volatility and achieved a steady operating profit compared to the same period last year.

RATIONALISING THE PAPER TRADING PORTFOLIO FOR LONG-TERM GROWTH

On 27 February 2017, the Group entered into an agreement to transfer our equity in Sun Hing Paper (Shenzhen) Company Limited to a mainland China-based buyer, Shenzhen Jinzhi Investment Co. Ltd., at a total consideration of RMB1,026 million. The transaction will not only enable us to further optimise our operational structure to achieve higher efficiencies, but also facilitate strategic investments to upgrade our services for long-term growth that will yield improved shareholder returns. The transaction is subject to shareholders' approval and is expected to be completed in September 2017.

RESULTS AND DIVIDENDS

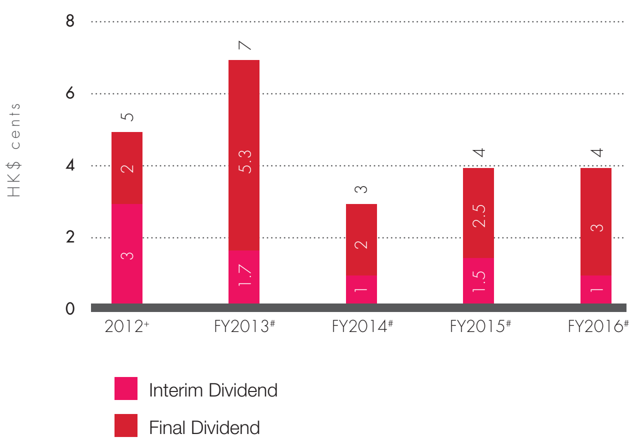
We are pleased to have turned around from a soft first half to record strong sales growth in the second half. Overall revenues for 2016 declined slightly by 2.7% to HK$2,956 million while gross margin increased by 0.2%. Profit from operating activities decreased by 7.3% to HK$66 million due to a combination of factors including lower full-year sales and increased distribution costs which were incurred to upgrade value-added services to key customers.

Profit attributable to equity shareholders of the Company remained stable at HK$38 million, a slight decrease of 1.1% compared to the previous year.

Basic earnings per share was HK4.2 cents, on par with the previous year.

The Board of Directors has proposed a final dividend of HK3 cents. This, together with the interim dividend of HK1 cent, brings the total dividend for the year to HK4 cents. Subject to shareholders' approval, the dividend will be paid to shareholders whose names appeared on the Register of Members of the Company as of 7 June 2017.

Dividend Per Share



+ Period from 1 April to 31 December 2012
# Year ended 31 December

MARKET PERFORMANCE

Consumer sentiment in the mainland China domestic market exhibited a positive trend during the year with affluent and quality conscious consumers driving demand for novelty books and high-end consumer products, boosting the sales of the BPP division. Key export markets were soft as a result of unexpected geopolitical developments, followed by exchange fluctuations in the US dollar vs the Pound Sterling and Euro. The Group's prudent exchange rate hedging strategy and business streams from other domestic and overseas markets enabled us to manage these developments effectively. Exchange and forward contract losses were trimmed from HK$16 million to HK$9 million despite more volatile markets prevailing during the year.

On the supply side, stricter environmental controls from the government led to the closure of a number of paper suppliers on the mainland and a constriction in paper supply in the fourth quarter. This resulted in supply disruption for the industry as a whole, with short-term paper price volatility and pressure on margins especially affecting the Group's CPP and CB business units.

STRATEGY: SUSTAINABLE GROWTH THROUGH AGILITY AND FLEXIBILITY

Clients' purchasing decisions and order patterns have changed in recent years. Smaller order quantities, shorter lead times and higher quality expectations coupled with rising labour and manufacturing costs are the norm today. To render us best positioned to thrive in this new normal we have implemented some fundamental changes to the way we operate, that have been effective in reshaping us into a stronger competitor in this new market reality.

Reaching out for growth in mainland China and overseas

We have increased our sales and marketing efforts, putting more resources on the ground in China as well as key export markets such as the United States. In order to render us well positioned to capture growth opportunities in the China domestic market on a cost-efficient basis, we have rebalanced our production capacity among and within our business units, while adding supporting resources to drive growth in domestic and BPP sales.

Improved automation and integration

Wage and cost inflation continue to inflict pressure on manufacturing operations in China. Through increased automation, process efficiencies and workflow improvements at our Shenzhen plant as well as other centres, we have reduced costs, further streamlined decision-making and made our operating model more responsive to market developments and client needs. We consolidated our vertically integrated operations and expanded the range of value-added services we offer, positioning us as a valued partner offering manufacturing, design and more.

Diversification in product and customer portfolios

We broadened our portfolio of offerings, increasing partnerships with Chinese and global publishers to serve as a conduit to acquire licensing rights in global markets. We entered new sectors such as fast-moving consumer goods to expand our offering and go one step closer to the end user, offering smart, connected point of sale and packaging solutions.

Bridging the gap between the digital and print worlds

Our innovation hub Beluga develops technology-blended concepts as part of the value-added services we offer across all our product lines. We continued to enhance our offering in this regard through the formation of strategic partnerships with award-winning developers. In 2016, new business generated from Beluga made instrumental contributions to Hung Hing's children's book, consumer packaging and sales promotion businesses, reinforcing our position as a leading printer in Asia.

Environmental compliance and stewardship

We strive to run our business sustainably and with minimal impact on the environment, in order to meet all applicable regulations and also remain the first-choice green partner for global and domestic clients. In recent years, all our sites in the Guangdong area have received environmental awards from the Chinese government. The Shenzhen and Heshan facilities also received the Hang Seng Pan Pearl River Delta and Bank of China environmental awards in 2016.

BUSINESS OUTLOOK

While the geopolitical and economic climate around the world will remain uncertain and challenging in the immediate future we are confident that our responsive and agile business model, well-qualified management team and successful track record in innovation render us well positioned to deliver sustained long term increase in shareholder value.

Our focus in the coming year will be to tap into the significant opportunities in the mainland China domestic market for books and printing products, while strengthening our export business. We will enhance the capacity and capabilities of our BPP business unit with technology and business process upgrades. We will also explore suitable opportunities to establish a multi-location network for the CB unit to provide added customer coverage and revamp the operating model of the PT unit to achieve improved service standards and cost efficiency.

Further regulatory reform is expected in China and we stand prepared to implement any appropriate and necessary changes promptly. Continued diversification of our customer and supplier base, responsiveness to market developments and environmental sustainability will form the core of our operating strategy. To manage volatility in paper supply in the short to medium term we will explore opportunities for supply from other markets.

The reform in the manufacturing sector in China combined with the new business realities of the printing sector, while spurring continued consolidation in the short term, will benefit the industry and customers as a whole in the long term. Our robust financial position and strong business fundamentals will make us a reliable and preferred partner. Our heritage of quality, strong reputation, value added services and vertically integrated operations will stand us in good stead in this context.

As always I would like to express my sincere gratitude to the Board as well as our senior management and staff for their dedication, loyalty and teamwork, which are the reasons for our continued success.

Yum Chak Ming, Matthew
Executive Chairman

Hong Kong, 22 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

DRAWING ON CORE STRENGTHS TO ADDRESS UNCERTAINTY

Hung Hing Printing Group (Hung Hing) is one of the largest printers in Asia. With vertically integrated operations spanning product design, printing, manufacture of corrugated boxes and paper trading, we offer a diversified range of high-quality printing and packaging solutions to the world's most recognised brands in toys, consumer goods and publishing through our manufacturing facilities at five locations in Hong Kong and China.

Despite the challenging macro-economic conditions of 2016, we continued to pursue our goal of remaining the first-choice printing and packaging partner for our clients by being responsive and agile to meet evolving client needs. We leveraged our strong financial position to invest in the infrastructure needed for future growth, including advanced technologies to capture new opportunities and streamline our operations. As a result we have been able to achieve stable revenues at a Group level and offset some of the impact brought by the adverse market conditions on our profitability.

The disposal of our interest in the Sun Hing Paper (Shenzhen) Company Limited, announced in February 2017, will yield operational benefits to the Group by further optimising our vertically integrated operating model and achieving improved efficiencies. The move will also facilitate investment in automation and workflow, while allowing us to further expand our footprint in China.

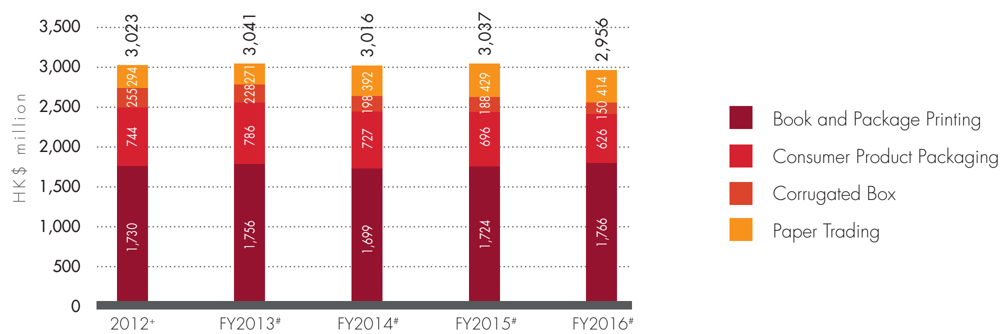
REVENUE

Group revenue for 2016 declined slightly by 2.7% to HK$2,956 million. The decline was driven by a general economic slowdown around the world, subdued business sentiments, abrupt currency fluctuations and paper price volatility in the fourth quarter which affected the entire industry during the year.

The China domestic market demonstrated encouraging potential for growth and we increased our investment in marketing and sales in order to capture new opportunities, particularly in book printing and packaging. During the year, our book and package printing (BPP) business unit achieved a stable performance with a 2.5% improvement in revenues.

Business in the United States, our largest export market, improved with increased sales of children's and novelty products and greeting cards. We were able to compensate for soft economic conditions by appointing new sales agents in key export markets such as the US and expanding our global partner network. During the year, Western and Central European markets also performed well to deliver higher revenues.

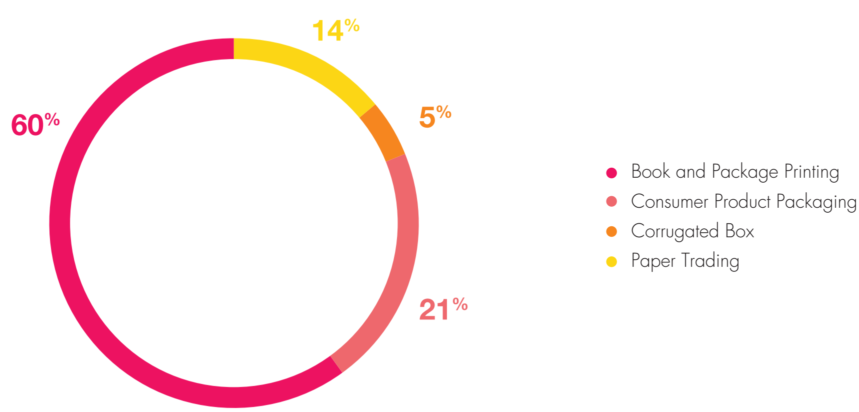
Revenue by Business Unit



\+ Year ended 31 December 2012 (Unaudited)

\# Year ended 31 December

Revenue by Business Unit in Year 2016

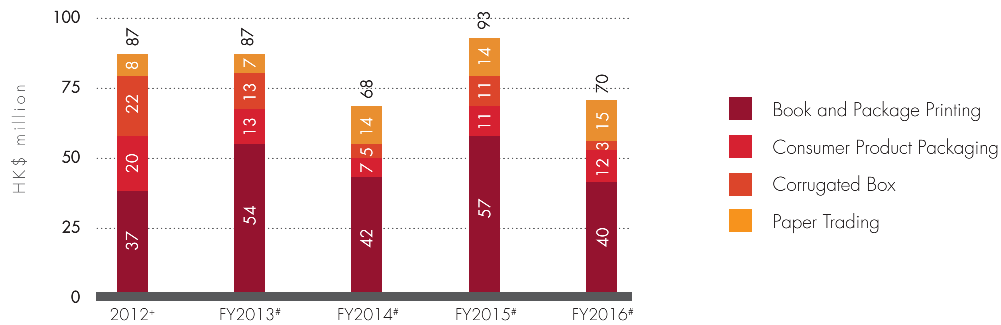


OPERATING PROFIT AND MARGINS

We were able to stage a full recovery from a soft first half with a significant improvement in second half performance. During the year, profit from operating activities was HK$66 million, a decrease of HK$5 million compared to the previous financial year as a result of lower full-year sales combined with increased costs associated with distribution and other operating activities.

In response to paper price volatility in the fourth quarter, we implemented stringent controls to contain costs. Our integrated operations stood us in good stead with the paper trading (PT) business unit playing a central role as a key strategic partner for paper supply to our other divisions. Our prudent inventory policy, combined with paper sourced from overseas markets, enabled us to fulfil commitments previously made to customers, albeit with an impact on the corrugated box (CB) business. The consumer product packaging (CPP) and paper trading (PT) business units achieved slightly improved margins.

Profit Contribution by Business Unit



\+ Year ended 31 December 2012 (Unaudited)

\# Year ended 31 December

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

Profit attributable to equity shareholders of the Company remained stable at HK$38 million, a slight decrease of 1.1% compared to the last financial year.

Exchange rate volatility intensified during the year, affecting the currencies of key export markets such as the Pound Sterling, Euro and Japanese Yen as well as Renminbi. We adopted prudent hedging strategies and adjusted our holdings in tandem with market changes to minimise the adverse impacts of exchange rate volatility, reducing exchange and forward contract losses by almost half compared to the previous year to HK$9 million.

Total bank loans also came down slightly from HK$274 million to HK$266 million, attributable to managed timing of trade facilities and reduced uptake of short-term loans.

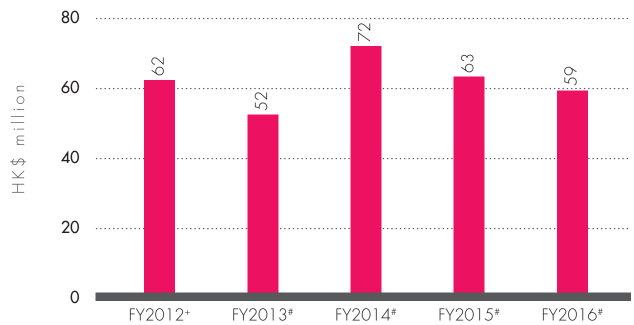
STRONG LIQUIDITY: NET CASH UP BY HK$22 MILLION TO HK$561 MILLION

During the year the Group continued to strengthen its net cash on hand. As at 31 December 2016, total cash net of bank borrowings stood at HK$561 million, a 4% increase from HK$539 million in 2015. Capital investment, including deposits paid for capital investments, of HK$93 million, was funded by cash generated from operating activities of HK$154 million. This liquidity was facilitated by a significant improvement of HK$74 million in working capital. Gearing was maintained at a healthy and conservative level of 9.6% (2015: 9.7%).

To meet operating needs, approximately 52% of cash was held in RMB, with the bulk of the remainder held in HKD (13%) and USD (34%). Loans were also confined to HKD and USD to control currency exposures and reduce interest expenses. We also carefully managed our loan portfolio, using a balanced mix of floating and fixed interest rate facilities depending on market conditions to minimize interest rate risk.

Analysis of the Group's potential exposure to the fluctuations to exchange rates and credit risk are included in notes 34(b) and 34(c) to the financial statements for reference.

Capital Expenditure



\+ Period from 1 April to 31 December 2012
\# Year ended 31 December

MARKET FACTORS

Geopolitical uncertainty following the 'Brexit' vote and Presidential elections, combined with ongoing slow growth in GDP impacted customer confidence in the U.K. and U.S. markets. Following a slow first half, a recovery in the third quarter was followed by a challenging fourth quarter. Key customers delayed order placement in the first half, using existing inventory to meet consumer demands. In the U.K., a decline in the value of the pound affected customers' ability to commit to high-value orders in advance. As a consequence, smaller orders with tighter delivery schedules were received from both markets, resulting in increased margin pressure.

With GDP growth of 6.7% in 2016 consumer sentiment in China remains optimistic, making the domestic consumer market an attractive one for us, especially for the CPP business unit that supplies to the fast-growing mainland consumer market.

In China certain key regulatory changes on the supply side are reshaping the manufacturing sector.

Increased environmental restrictions and scrutiny affected paper makers across the country towards the end of the year, resulting in the closure of several paper mills. This led to a bottleneck in paper supply and associated price volatility in the fourth quarter that affected the entire industry. Thanks to the scale of our operations, vertical integration and the breadth of our product range, we were able to tap into alternative overseas sources of paper, which, due to RMB depreciation, led to higher prices during the short term.

This development is serving as a supply side control to shut down unhealthy capacity, creating short-term supply disruption for the sector. Over the longer term it is expected that consolidation will take place, leaving manufacturers with the scale and financial strength for continuous investment in new technologies and product development in an advantageous position.

Players such as Hung Hing with financial stability and sustainable business models who are able to respond readily to market developments will have opportunities for long-term growth.

BUSINESS UNIT REPORT

BOOK AND PACKAGE PRINTING (BPP)

Book and Package Printing is the Group's largest business unit, with 60% of total sales.

BPP is one of the world's leading producers of folding cartons and packaging for toys, cosmetics and other consumer products, and conventional and children's novelty books.

The business unit operates three plants in Shenzhen and Heshan in China's Guangdong province, and Hong Kong, with a combined production space of 300,000 square meters and a team of around 7,500 workers.

The BPP business reported the following results in 2016:

- Revenues of HK$1,766 million, an increase of 2.5% over the previous year's revenues of HK$1,724 million

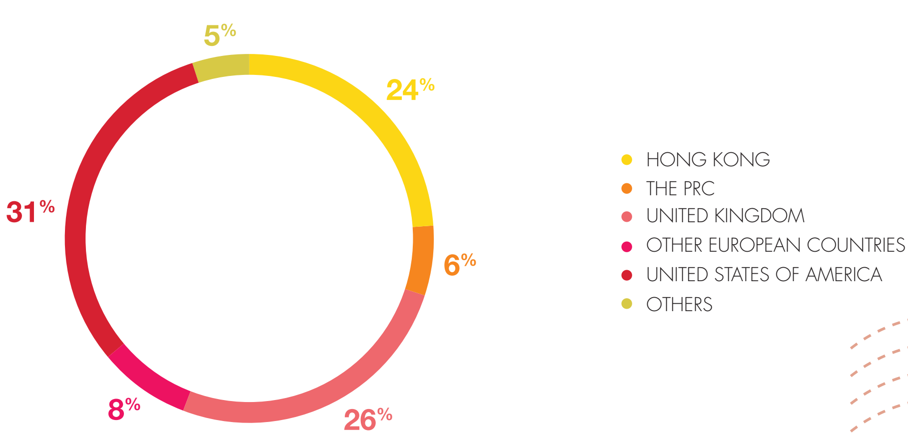
- Profit contribution of HK$40 million, a drop of 30.8% from HK$57 million in 2015

'Color Dog' by Matthew Van Fleet, published by Paula Wiseman Books and printed by Hung Hing, won the Top Award in the 'Category Children's Trade Books – Novelty' in the 30th New York Book Show, presented by the Book Industry Guild of New York. The 9.5" x 7" book incorporates complex mechanical movements and high-end printing and finishing treatment. The judges remarked positively on the appearance and construction of the book as well as its kid-friendly, interactive tactile and sensory experience which include unique flaps, touch-and-feel elements, and scratch-and-sniff patches.

Review of operations:

The BPP unit recovered from a soft first half with improved sales in the second half to post a slight increase in revenue. Growth was driven by book printing and packaging projects especially in mainland China, thanks to consumption growth among the newly-emergent, more affluent and quality conscious middle class. Sales for children's books, novelty products and sales promotion items recorded double digit growth compared to 2015 levels. The greeting cards business also generated healthy contributions. Hung Hing's strong global sales and marketing team consolidated relationships with major customers while diversifying the customer base with new relationships that have growth potential over the long term.

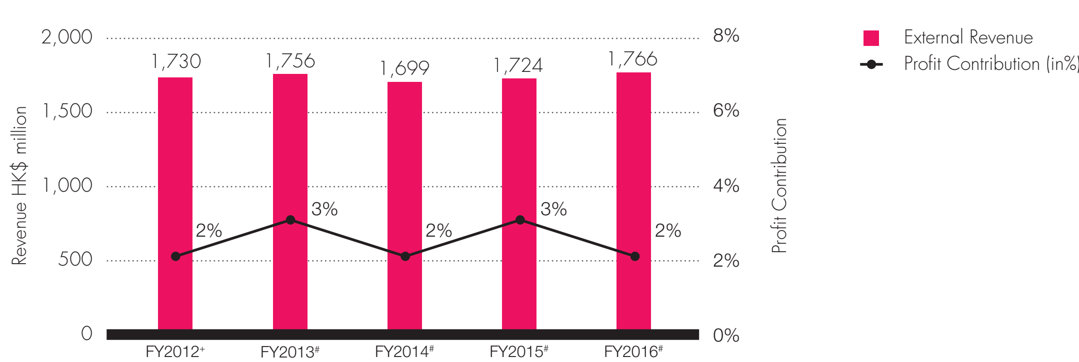
Revenue by Region in Year 2016



The BPP business unit continued to extend its offerings beyond manufacturing with value-added services such as providing creative design and solutions to its client base. The unit entered new channels and secured partnerships with major clients including the world's top brands. The Innovation Hub Beluga penetrated new categories such as branding, marketing promotion and authentication for luxury and healthcare brands, and made investments in developing online sales. One of Beluga's products, 'Stage Learning', an innovative English learning aid for children incorporating Touchcode and Bridging Book technologies, is now being stocked by major online, app and retail stores in the U.S. The BelugaBloo e-bookstore introduced new titles incorporating new technologies acquired during the year.

In 2015 the BPP unit began to promote the publication rights of popular book titles to domestic and overseas publishers on behalf of rights owners. Further inroads were made with Chinese publishers in this regard in 2016 to promote rights acquisition in China, and the unit expanded its services to both buy and sell rights on behalf of overseas partners, with a special team set up for the purpose.

Revenue & Profit Contribution (in %)



+ Year ended 31 December 2012 (Unaudited)
# Year ended 31 December

CONSUMER PRODUCT PACKAGING (CPP)

Consumer Product Packaging accounts for 21% of the Group's total revenues.

CPP provides high quality packaging solutions for customers worldwide, with a particular focus on mainland China's fast-growing consumer market.

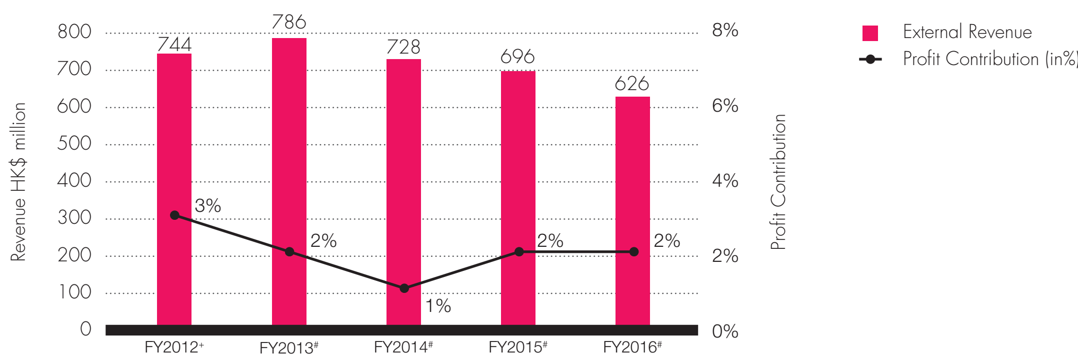
Production is done at facilities in Zhongshan in southern China and Wuxi near Shanghai with a combined production space of 180,000 square meters and a skilled workforce of approximately 1,900.

The CPP business reported the following results in 2016:

- External revenues of HK$626 million, down 10% from the HK$696 million recorded in the previous year

- Profit contribution of HK$11.9 million, an increase of 4.4% over HK$11.4 million in 2015

Revenue & Profit Contribution (in %)



+ Year ended 31 December 2012 (Unaudited)
\# Year ended 31 December

Review of Operations

The domestic China market was the main contributor to CPP revenues, which were impacted by interruptions in paper supply during the fourth quarter. The business unit increased profit contribution through an improved product mix and design, a stronger emphasis on high value-added solutions and the use of new technologies. These initiatives served to counter abrupt paper price volatility combined with a lag effect in customer price adjustments.

Innovative, easy-to-assemble sales promotion items developed in conjunction with Hung Hing's partner Rengo received a positive response from customers.

The CPP unit also introduced cosmetics packaging incorporating multimedia technology and interactive solutions such as touch codes, which apart from generating new revenue streams for the current year, have significant long-term potential with a very broad range of future applications. Not only are these solutions helpful in breaking new territory for Hung Hing, they also enable the Group to strengthen its relationships and cooperation with existing customers.

The business unit showcased its diverse portfolio through a broader range of activities including trade shows, engagement with new customers, and product ideas integrating our new capabilities.

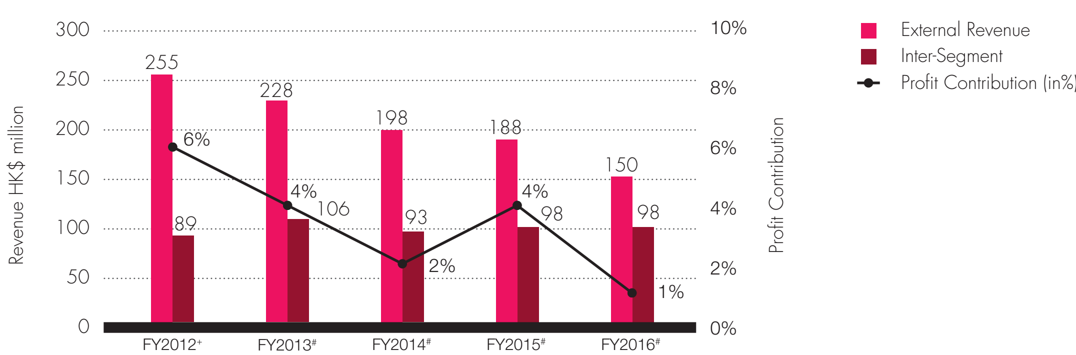
CORRUGATED BOX (CB)

The Corrugated Box business unit recorded revenues of HK$248 million, including HK$150 million in external sales and HK$98 million in inter-business unit sales.

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

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

Revenue & Profit Contribution (in %)



\+ Year ended 31 December 2012 (Unaudited)

\# Year ended 31 December

The CB business reported the following results in 2016:

- External revenues of HK$150 million, down 20% from the HK$188 million recorded in the previous year

- Profit contribution of HK$3.4 million, a drop of 68% from HK$10.6 million achieved in 2015

Review of Operations

The CB business was affected by the same factors that impacted the Group's other business units, together with slower domestic revenues and interruptions in order taking, consequently recording a drop in revenues. The Group's prudent inventory policy and vertically integrated operations enabled the unit to maintain service standards despite paper supply interruptions, and fulfil commitments previously made to customers, albeit with an impact on profit contribution. To address margin pressure the unit implemented a range of cost control measures and enhanced operating efficiencies by improving the management and synergies of its network of manufacturing locations.

The CB business unit continued to see demand from a diversified base of sectors. It has set the stage for future growth by strengthening customer relationships, increasing market coverage and establishing long term contracts with key clients. It will offer a more diversified product mix to generate new revenue streams during the coming quarters.

PAPER TRADING (PT)

The Paper Trading business unit recorded revenues of HK$812 million, including HK$414 million in external sales and HK$398 million in inter-business unit sales.

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

The business unit operates a 60,000-ton paper storage facility in Shenzhen.

The PT business reported the following results in 2016:

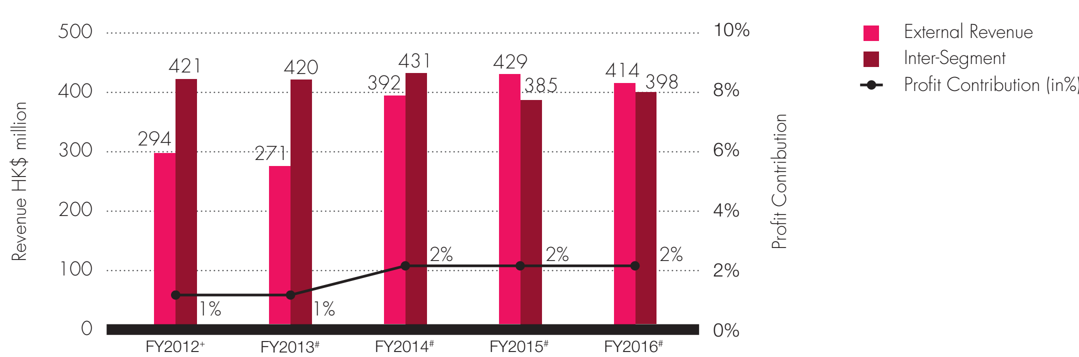
- External revenues of HK$414 million, down 3.6% from HK$429 million recorded in the previous year
- Profit contribution of HK$14.6 million, an increase of 3.2% from HK$14.2 million the previous year

Review of Operations

The PT unit was able to capitalise on strong relationships with existing clients as well as increased export opportunities to customers in South East Asia to maintain stable revenues and post a small increase in profit contribution. The unit improved stock circulation and was able to achieve advantageous prices for special stock during paper supply interruptions in the fourth quarter.

The business unit's prudent inventory policy, supplemented by the Group's scale of operations, enabled it to look further afield to source alternative suppliers from other markets. This played an important strategic role in securing paper supply to the Group's other units. As the Group's demand is stable the unit is in a favourable negotiating position with both old and new suppliers going forward in a consolidated industry.

Revenue & Profit Contribution (in %)



+ Year ended 31 December 2012 (Unaudited)
# Year ended 31 December

CORPORATE GOVERNANCE REPORT

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions as set out on in the Code of Corporate Governance (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has complied with all the applicable code provisions in the CG Code throughout the year ended 31 December 2016 except for the following deviations:

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

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

BOARD COMPOSITION AND BOARD PRACTICES

The Board of Directors (the "Board") of the Company is composed of 9 directors, of which 2 are Executive Directors including the Executive Chairman, 4 are Non-executive Directors and 3 are Independent Non-executive Directors. All the Independent Non-executive Directors have appropriate professional qualifications, experience or related industry expertise. The Directors biography and relevant relationships amongst them are set out in the Biographical Details of Directors section on pages 56 to 58 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 24 May 2016 for the financial year ended 31 December 2015.

The attendance record of the Directors at the board meetings and the annual general meeting for the year ended 31 December 2016 is as follows:

	Attendance Board meetings	AGM
Executive Chairman		
Yum Chak Ming, Matthew	4/4	1/1
Executive Director		
Sung Chee Keung	3/4	1/1
Non-executive Directors		
Sadatoshi Inoue	4/4	1/1
Hirofumi Hori	3/4	1/1
Katsuaki Tanaka	4/4	1/1
Yam Hon Ming, Tommy	3/4	1/1
Independent Non-executive Directors		
Yap Alfred Donald	4/4	1/1
Luk Koon Hoo	4/4	1/1
Lo Chi Hong	4/4	1/1

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

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

TRAINING AND SUPPORT FOR DIRECTORS

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

All Directors are encouraged to participate in continuous professional development to refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. Directors are also invited to participate in Company events to familiarize themselves with the operations of the Company and opportunity to communicate with other management members of the Company. In 2016, we organized one training session and arranged our audit firm to give a talk and lead discussion on the subject of Cyber Security. Some directors also attended training seminars as provided by other professional bodies or as referred to by the Company.

The records of training as received by each Director in 2016 are summarized as follows:

	Type of trainings
Executive Chairman	
Yum Chak Ming, Matthew	A, B, C
Executive Director	
Sung Chee Keung	A, B, C
Non-executive Directors	
Sadatoshi Inoue	A, B
Hirofumi Hori	A, B
Katsuaki Tanaka	A, B, C
Yam Hon Ming, Tommy	A, B, C
Independent Non-executive Directors	
Yap Alfred Donald	A, B, C
Luk Koon Hoo	A, B, C
Lo Chi Hong	A, B, C

A: attending professional seminars/conferences/forums

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

C: attending corporate events/site visits

CORPORATE GOVERNANCE POLICY AND DUTIES

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

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding the directors' securities transaction throughout the year ended 31 December 2016.

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 65 to 69 of this Annual Report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2016, the Auditor of the Company will receive approximately HK$1,960,000 (2015: HK$1,860,000) for their audit service. Non-audit service which covered taxation service provided to the Group was approximately HK$389,000 (2015: HK$67,000) in the same period.

REMUNERATION COMMITTEE

The Remuneration Committee comprises of 3 Independent Non-executive Directors and 1 Non-executive Director. They are Mr. Alfred Donald Yap (Committee Chairman), Mr. Luk Koon Hoo, Mr. Lo Chi Hong and Mr. Katsuaki Tanaka. 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 2016 with a 100% attendance by all Committee members.

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

– the incentive bonus program of Executive Directors and Senior Management as linked to the financial target of the Group for the year ended 31 December 2016

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

NOMINATION COMMITTEE

The Nomination Committee comprises of 3 Independent Non-executive Directors, Mr. Luk Koon Hoo (Committee Chairman), Mr. Alfred Donald Yap, Mr. Lo Chi Hong, 1 Non-executive Director, Mr. 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 with reference to the Company's board diversity policy and assesses the independence of Independent Non-executive Directors.

The Committee met once in the financial year ended 31 December 2016 with a 100% attendance by all committee members.

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

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

– the review of composition of the Board

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

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

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

AUDIT COMMITTEE

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

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

During the financial year ended 31 December 2016, the Committee held four meetings and the attendance record are:

	Attendance
Luk Koon Hoo	4/4
Yap Alfred Donald	4/4
Lo Chi Hong	4/4
Hirofumi Hori	3/4

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

– reviewing with the auditor on key audit and accounting mattes, internal control recommendation of the auditor and updates on regulatory rules in the auditor's Audit Committee Report and the draft audited financial statements for the financial year ended 31 December 2015

– reviewing the financial statements for the six months ended 30 June 2016 focusing on business highlights, any change of accounting policies and practices, and compliance with accounting standards and listing rules requirements

– reviewing with the auditor the scope of their audit, their communication plan, their independence, developments affecting the Company's business, their risk assessment and updates of accounting standards and listing rules as affecting the Company for the financial year ended 31 December 2016

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

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

– reviewing the risk management and internal control of the Group

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 2017 at the forthcoming annual general meeting.

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

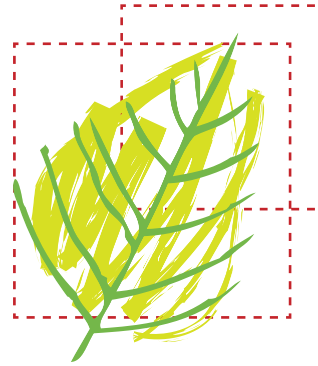
Specific enquiries and suggestions by shareholders can be sent in writing to the Board or the Company Secretary at the Company's registered office. Shareholders are encouraged to access to the Company website at www.hunghingprinting.com for all relevant information including Company's announcements,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

INVESTOR RELATIONS

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Environmental, Social and Governance Report

Hung Hing Printing Group Limited ("Hung Hing") is committed to running our business sustainably and for the wellbeing of employees, business partners, other stakeholders and the environment. To this end we ensure that we meet all relevant national and local laws and regulations as well as industry standards and behave like a good corporate citizen.

We strive to provide a safe and healthy workplace for our employees and conserve the environment for the benefit of the community. We first implemented the International Standard Organisation's ISO 14001 Environmental Management System in 1997 and now all our manufacturing sites are ISO14001 certified. Our ethics policy was established in 2003 and we continue to improve our ethical and environmental conditions in accordance with international trends. Procedures and guidelines have been established to implement and monitor our environmental, social and governance (ESG) policy and these are regularly audited by third parties and business partners.

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

Scope of the report

This report provides information related to the business activities of the manufacturing sites and warehouse facilities directly controlled by the Group, and its Hong Kong offices. ESG data from our vendors or service providers is not included as such data is difficult to verify with available resources.

Stakeholder Engagement

Our stakeholders have a say in how we manage our ESG activities. These have evolved based on the inputs received during ongoing engagement with those of our stakeholders who are directly affected by or immediately concerned with our ESG performance. The chart below sets out the channels through which we interact with our different stakeholders:

Stakeholder	Activities	Information collected
Investors	Annual report, annual general meetings, company emails.	Concerns on compliance with evolving laws and regulations, business models that can support continued growth
Customers	Meetings, customer satisfactory survey, factory audits, trade exhibitions, customers' Request For Information.	International environmental and ethical trends, knowledge of new technologies, and market trends
Employees	Regular worker representative meetings, suggestion boxes, suggestion emails, dedicated whistle blowing email to Executive Chairman and Independent Non-executive Director, employee interest groups.	Suggestions on training, employee benefits, operational, factory and office facilities improvements.
Supplier	Supplier survey questionnaires, site visits, trade exhibitions, business meetings, strategy partnerships.	Cost impact of higher safety and environmental compliance requirements, order cycle management
Community	Engagement with NGOs, local community visits, donations to charitable bodies.	Labour rights, employee health and benefits, long term partnerships with charitable bodies
Government or industry community	Factory visits, seminars, industrial association gatherings.	Occupational health and safety, environmental protection

In order to reflect stakeholders' views accurately, the information collected was analysed and areas of concern in each category were identified.

Environment
- Use of sustainable raw materials
- Environmental impact of the production process
- Management and monitoring of environmental works
- Any third parties' audit or recognition
- Energy use efficiency
- Adoption of new technologies in environmental protection

Social Responsibility
- Protection of minors and provision of fair employment opportunities
- Employee compensation and benefits
- Health and safety in the working environment
- Training and career advancement opportunities
- Pleasant working environment

Governance
- Ethical conduct with business partners
- Anti-corruption measures
- Prevention and reporting of misconduct

Environment

Hung Hing is committed to sustainable manufacturing and strives at all times to use the world's limited resources wisely.

Sustainability strategies are outlined in our Green Manufacturing Policy, which is signed by the Executive Chairman of the Group. To achieve the goals set out in the policy, we have established policies and working instructions which outline the activities and practices that all of our operations should follow. We use advanced technologies in manufacturing and have instilled in our employees the proper attitude to Reduce, Reuse and Recycle (3Rs). We provide various types of environmental training and conduct campaigns to raise the environmental awareness of our employees on a regular basis. Our philosophy on environmental protection is also shared with our business partners through site visits, questionnaires and other business communications.

To ensure we adhere to all relevant regulations, we have a procedure in place to visit government websites regularly so any updates in environmental and employment regulations are promptly reviewed.

In our operations, we consume energy from the following sources:

1. Fuel (petrol/diesel) for vehicles, boilers and electricity generators
2. Natural gas/town gas for boilers and cooking
3. Electricity
4. Solar panels for hot water supply in dormitories

In order to reduce their impact on the environment, currently all of the Group's vehicles are of the low-emission type to comply with Chinese and Hong Kong vehicle emissions regulations[1]. Employees such as salespersons who need to travel frequently are encouraged to either take public transport or to share company vehicles.

The steam generating boilers in our Shenzhen and Zhongshan operations have been upgraded from the oil-burning type to the cleaner natural gas-burning type in previous years. This has significantly reduced their emissions of carbon dioxide (CO_2) and sulphur dioxide (SO_2). The backup electricity generators at all our manufacturing locations in China run on diesel fuel. With electricity supply in China becoming more reliable we have not used generators in 2016. All our sites in China meet Chinese emissions standards[2]. A small volume of CO_2 is discharged from fire extinguishers during normal use and fire drill demonstration. We have small amount of SO_2, nitrogen oxides (NOx) and carbon monoxide emissions from combustion of diesel oil.

Our operations consume fossil oil products which generate volatile organic chemicals (VOCs). As printing inks can generate VOCs, since 2007, we have gradually replaced our mineral oil-based processing inks with soy oil-based processing inks, thereby reducing VOC emissions by at least 20%. We have also changed a large proportion of our coating material from the solvent-based type to the water-based type, which has also significantly reduced VOC emissions. Besides using these more environmental friendly raw materials, we have installed VOC filtering equipment on those work floors where VOC emissions can occur. Emissions levels after filtering are compliant with the relevant standards of the Chinese government[3].

In sourcing raw materials, we require suppliers to provide Material Safety Data Sheet (MSDS) listing the effective chemical ingredients in the materials supplied in order to verify whether the materials supplied might cause harm to humans or the environment. We are not aware of any other greenhouse gases generated during our production processes apart from those mentioned above.

In recent years, all our sites in the Guangdong area have received the Chinese Government's Environmental Product Labelling award as their raw materials, processes and products meet the requirements set out by the Chinese Environmental Department.

1. Measures on Supervision of Exhaust Pollution from Automobiles in the People's Republic of China (中華人民共和國汽車排氣污染監督管理辦法)
2. Atmospheric Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國大氣污染防治法)
3. Discharge Standards of Atmospheric Pollutants of the People's Republic of China (中華人民共和國大氣污染物綜合排放標準) GB16297-1996

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Electricity is our major energy source through the consumption of which we cause indirect greenhouse gas emissions. In 2016, our total electricity consumption is 63,442 MWh, compared to 64,400 MWh in 2015. In previous years, our Shenzhen and Heshan factories conducted full audits to review the effectiveness of our environmental improvement projects, in the areas of electricity quality, production facilities, lighting, air conditioning, compress air system, water usage and air quality, and recommendations for further improvements were given.

In order to understand how electricity is consumed in the course of our operations, we installed sub-meters on our production floors including some at machine level. According to a previous electricity usage analysis, the two largest areas of electricity consumption in our operations apart from production were air-conditioning and lighting. To reduce air-conditioning use, most work floors have installed negative pressure ventilation fans to create air flow and reduce interior temperatures.

We have replaced T8 lighting to T5 daylight tubes for lighting during previous years, yielding electricity savings of 25%. In 2016, we started to use LED lighting as standard and have gradually replaced T5 and some remaining T8 lights, saving a further 30%.

Use of resources

Water is used in production as well as in employee dormitories. We have provided training to all new employees on the economical use of safe drinking water and placed posters in major passages and toilets to encourage water conservation. In 2016, we replaced the water pipeline system in the Shenzhen factory to prevent leakage. In Heshan factory, we installed water meters for earlier detection of any leaks in the underground main water pipes. Rain water is collected for gardening and cleaning of the outdoor area.

In the Heshan dormitory, hot and cool water meters have been installed to enable employees to measure their own water consumption and compare it to average usage, thereby raising their awareness of water conservation.

In order to reduce excessive use of water, wash basins in office toilets have been fitted with sensors to reduce water consumption as well as improve hygiene. In canteens and on production floors, water-saving features have been installed on taps.

Waste water from production is treated before discharge to the public sewage system. Water quality is regularly tested and is in compliance with the relevant regulations[4].

Paper, a plant product, is the single major raw material in our business. We have a formal paper policy in place, which states that all paper we purchase from paper mills must come from legal forests or plantations. We encourage the use of paper from well-managed forests and have obtained certifications from the FSC™ CoC (Forestry Stewardship Council Chain of Custody) and PEFC CoC (Programme for the Endorsement of Forest Certification Schemes Chain of Custody) in 2007 and 2008 respectively, covering all our paper trading firms and production sites. This means that any paper mills we select as paper suppliers must have either the FSC or PEFC certificate.

4. Water Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國水污染防治法)

We encourage our customers to use paper with high recycled content. In 2016, we consumed 69,400 (68,500 in 2015) tons of certified paper and 145,600 tons of paper with high recycled content, which accounted for 90% of paper consumption by the Group's manufacturing divisions.

Waste handling

We strive to reuse scrape paper from production. Paper that is not suitable for reuse is collected and sold to paper mills for recycling. Other waste is also separated into recyclable, hazardous and non-hazardous waste.

Recyclable material like metal, plastic, aluminum foil is sold to recycled material operators. Hazardous waste like liquid chemicals, cleaning cloths, and residue from water treatment are collected by qualified hazardous waste collection agents in compliance with relevant Chinese government regulations on the disposal of hazardous waste[5]. We check the qualifications of such agents annually. Non-hazardous solid waste is collected by the environmental protection department in compliance with relevant regulations[6].

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

In recent years our environmental improvement efforts have received several awards. In 2015, our Shenzhen site received the 5yr+ Hang Seng Pan Pearl River Environmental Award and the Heshan site received the 3yr+ award. In 2016, we also received the Bank of China environmental award for both sites.

Our Shenzhen plant joined the government's carbon trade program and in 2016, achieved an unaudited carbon emission index per unit of value added production of 0.624 against a target of 0.768[7]. In 2015, it achieved an index of 0.631 against a target of 0.837. This is the fourth consecutive year that we have outperformed the target since the program started in 2013.

5. Regulation on the Management of the Shifting of Hazardous Waste (危險廢物轉移聯單管理辦法)
6. The Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法)
7. Calculated as the number of tons equivalent of CO_2 emissions per RMB10,000 of value added production

Social Responsibility

Employment

Employees are the Group's most valuable assets. Our formal ethical policy is posted in the common areas of all our production sites to provide transparency on ethical matters. We recruit our employees directly in order to enable them to avoid any fees in the process and ensure their employment is voluntary. Our minimum employment age is 16. During the recruitment process, we not only check applicants' identity but also their manner and appearance to ensure no underage applicant with fake documentation is recruited. Although this has never happened in our operations, if any underage employee is identified, we have procedures in place to remedy the situation and ensure the minor is protected until he/she returns home safely.

Our employment practices comply with Chinese labour contract law[8] and Hong Kong labour law. Employee recruitment, promotion and termination are based on performance and any kind of discrimination is not tolerated. We have procedures for employees to check their payroll calculation details against the payroll slips they have on hand. Payroll slips detail employee wages, benefits, working hours, leave taken and any legal deduction listed.

8. Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法)

Development and training

Our ethical policy, employee rights, safety procedures, grievance procedures, and factory regulations are part of the content provided during the orientation process for all new employees. Job related training and machine operation training are provided on the job and machine operators must be qualified before they can operate a machine independently. We have a set of instructional videos available on DVD to show employees how to properly run and maintain machinery and fire prevention equipment.

Besides job related training, we also provide management skills training to management so employees can pursue career advancement. This takes the form of courses conducted in house by professional trainers, or external training courses. Employees can be reimbursed for personal courses if the program is in line with our guidelines and approved by the relevant departmental manager. In 2016, we provided a total of 267,600 hours (251,000 hours in 2015) of training for 88,100 attendees (77,000 in 2015).


DNV
DNV BUSINESS ASSURANCE
MANAGEMENT SYSTEM CERTIFICATE
Hung Hing Printing (China) Co., Ltd.
Po Hing Packaging (Shenzhen) Co., Ltd.

Health and safety

We have policies and processes in place to ensure our employees' wellbeing and safety.

In positions with the potential for fatigue or involving intensive repetitive movement, there is a short break provided every 2-3 hours.

We provide any personal protective gear that is necessary to employees handling chemicals or in areas with high noise levels. Employees working in such areas have relevant occupational health checks as recommended by the local labor authority. Our work floor conditions and production activities comply with the relevant Chinese regulations[9].

In rare cases government authorities can identify facilities or operating methods in need of improvement. In 2016, the Shenzhen safety monitoring authority suggested that we stop using an automated starch dispensing facility which might carry a risk of dust explosion. We immediately remedied the situation in accordance with the recommendations.

We also encourage our employee to have a good work-life balance. Our Shenzhen factory has an annual performance before Chinese New Year while in the Hong Kong office, we encourage employees to exercise regularly to maintain a healthy lifestyle.

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

Governance

Supply chain management

Material and service suppliers are an integral part of any sustainable business. We share our sustainable manufacturing philosophy with our suppliers and require all our major suppliers to complete and sign our ethical and environmental performance questionnaire. We prefer to source material locally in order to minimise carbon emissions as well as to ensure a close dialogue with them without the need for long distance travel. We visit our key locally-based suppliers regularly to review their performance and exchange ideas with them on ethical and environmental matters. We have over 1880 active suppliers and the top 10 account for over 50% of our transactions.

Product Responsibility

Product safety and quality is one of our primary concerns. All our production facilities are ISO9001 certified for quality management. Our process starts with supplier checks covering quality, safety and other performance indicators. All the raw materials we use are tested by third party laboratories to ensure that they comply with relevant environmental and safety standards before they are accepted into our production process, and re-tested at least once a year. Materials failing the tests are not purchased. For children's products, we perform internal physical and mechanical safety tests. External tests will also be conducted upon the request of our customers. Our products comply with major international environmental, health and safety regulations, including the EN71 European Union Toys safety regulation, ASTM F963-11 Standard Consumer Safety Specification on Toy Safety, ISO8124 International toys safety standard, 94/62/EC European Union Packaging and packaging waste regulation and the Rohs European Union Restriction of Hazardous Substances Directive 2002/95/EC.

Any customer complaints about our products are followed up with investigation into the root cause and remedies are provided if necessary. Our quality assurance staff then issues a Corrective Action Request (CAR) to the relevant department in order to prevent similar cases from occurring in the future.

To ensure the protection of intellectual property (IP) rights, we have stringent process to ensure this throughout the production process, from the time the printing files are received, to the delivery of the finished product. All our employees sign confidential agreements. If a customer specifies that a product is IP-sensitive, the order will be handled by only designated employees and produced in an enclosed area with CCTV monitoring. The number of items produced is counted and all wastes are centrally stored before disposal under dual supervision. In 2016 we received 3 complaints of alleged violations, and after investigation, we concluded that these were not related to our operations and we were able to produce evidence to our customers to this effect.

Anti-corruption

Hung Hing is committed to doing business with integrity and will not tolerate any bribery or other misconduct. We send letters to the top management of our suppliers to express our principles in conducting business with integrity and encourage them to report any misconduct to our Executive Chairman or other members of the Board.

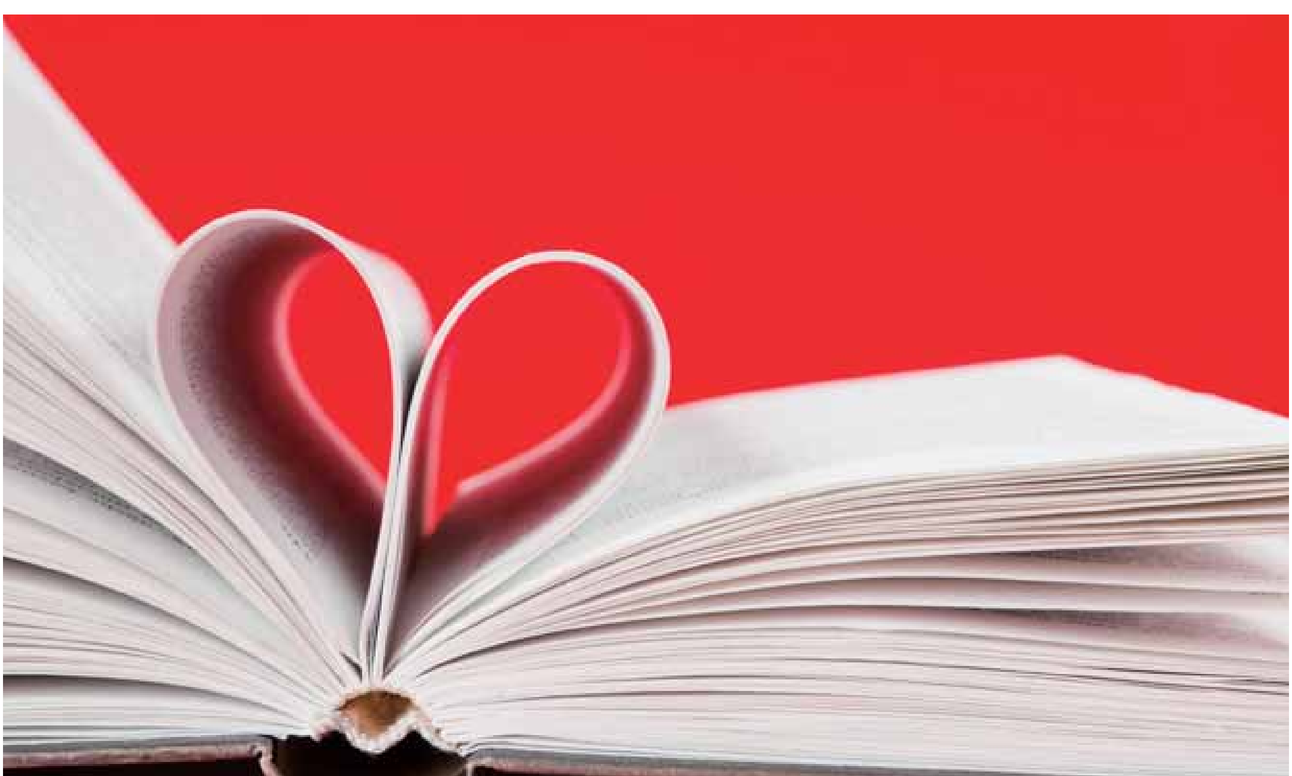
Internally, we issue annual reminders on anti-bribery to all employees who engage with external stakeholders. Whistle blower policies and procedures are in place and disclosed to all employees. Any misconduct can be reported to the Executive Chairman or Independent Non-executive Director via e-mail, with responses provided to genuine cases.

In 2016, no complaints were received via the whistle blower channel or other channels.

Community involvement

We care about our community as our business cannot grow without good employees, resources and facilities from the community. We encourage our employees to participate in voluntary work for the benefit of the community. We donate to charitable bodies who we believe are best placed to provide care for those in need. We also partner with charities to support their fundraising activities and provide free printing services for their publications. We contribute funds to enable Vocational Training Councils to provide scholarships to encourage higher education and partner with NGOs to provide training opportunities for the youth.

In 2016, we were awarded the 10 years+ Caring company logo in recognition of our long-term commitment in caring for the community, employees and the environment. Total donation and service offered to charitable bodies in 2016 was valued at HK$136,000, and we provided training opportunities to two secondary school students at our Hong Kong office.



ESG PERFORMANCE DATA

Subject Area A – Environment			
Aspect A1: Emissions			
Performance Indicator		**2016 Data**	**HKEx ESG Report Guide KPI**
Emission	Total sulphur dioxide SO_2 emission (Ton) (from combustion of diesel)	1.54	KPI A1.1
	Total Carbon Monoxide CO (Ton) (from combustion of diesel)	0.06	KPI A1.1
	Total Volatile Organic Chemicals emission (Ton) (From production)	361.23	KPI A1.1
	Total Carbon Dioxide emission (CO_2) (Ton)	62,651.03	KPI A1.1, A1.2
	Direct emission (Fuel, Natural Gas, Town Gas, Fire Extinguishers)	5,271.19	KPI A1.1, A1.2
	Indirect Emission (Electricity consumed)	57,379.84	KPI A1.1 A1.2
	Total nitric oxides NOx emission (Ton) (from combustion of diesel)	1.32	KPI A1.1 A1.2
	Total greenhouse gases emission per million HKD of goods sold (ton)	216.18	KPI A1.2
Hazardous Waste	Solid and liquid hazardous from production and water treatment	593.90	KPI A1.3
	Total hazardous waste produced per million HKD of goods sold (ton)	2.05	KPI A1.3
Non-hazardous Waste	Non-hazardous waste (Ton) (Office waste, paper, plastic not suitable for recycle, household waste from canteen and dormitories)	1,197.03	KPI A1.4
	Total non-hazardous waste produced per million HKD of goods sold (ton)	4.13	KPI A1.4
Aspect A2: Use of Resources			
Energy	Fuel and Gas (Mwh)	23,388	KPI A2.1
	Electricity (Mwh)	63,442	KPI A2.1
	Energy consumed per million HKD of goods sold (Mwh)	219	KPI A2.1
Water	In M^3 (Consumption by production, canteen and dormitory)	1,064,000	KPI A2.2
	Water consumed per million HKD of goods sold (M^3)	3,671	KPI A2.2
Paper	Total paper consumed by production (ton)	193,000	KPI A2.2
Packaging material	Packaging materials are mainly nylon tape and PP shrinkage film (Ton)	791.75	KPI A2.5
	Packaging materials consumed per million HKD of goods sold (Ton)	2.73	KPI A2.5

Subject Area B – Social			
Employment and Labour Practices			
Aspect B1: Employment		**2016 Data**	**HKEx ESG Report Guide KPI**
Workforce	Total	9,219	KPI B1.1
	By gender		KPI B1.1
	Male	4,186	KPI B1.1
	Female	5,033	KPI B1.1
	By employment category		KPI B1.1
	Senior Management – male	117	KPI B1.1
	– female	64	KPI B1.1
	Middle management – male	326	KPI B1.1
	– female	430	KPI B1.1
	Worker – male	3,743	KPI B1.1
	– female	4,539	KPI B1.1
	By age Group		KPI B1.1
	At and below 30	2,951	KPI B1.1
	> 30–50	5,930	KPI B1.1
	over 50	338	KPI B1.1
	By geographic location		KPI B1.1
	Eastern China	572	KPI B1.1
	Southern China	8,312	KPI B1.1
	Hong Kong	335	KPI B1.1
Employee turnover	Total (%)	55	KPI B1.2
	By gender		KPI B1.2
	Male (%)	45	KPI B1.2
	Female (%)	77	KPI B1.2
	By age Group		KPI B1.2
	At and below 30 (%)	72	KPI B1.2
	> 30–50 (%)	33	KPI B1.2
	over 50 (%)	11	KPI B1.2
	By geographic location		KPI B1.2
	Eastern China (%)	57	KPI B1.2
	Southern China (%)	55	KPI B1.2
	Hong Kong (%)	12	KPI B1.2

Aspect B2: Health and Safety			
Performance Indicator		**2016 Data**	**HKEx ESG Report Guide KPI**
Incident	Number of incident	17	KPI B2.1
	Number of work-related fatalities	0	KPI B2.1
	TIR (Total Incident Rate = number of incident per 200,000 work hours)	0.13	KPI B2.1
Lost days	Number of days lost due to work injury	1,013	KPI B2.2
	LTIR (Lost Time Injury Rate = number of days lost per 200,000 work hours)	61.80	KPI B2.2
Aspect B3: Development and Training			
Attendee	Total	88,117	KPI B3.1
	By gender		KPI B2.1
	Male	42.82%	KPI B3.1
	Female	57.18%	KPI B3.1
	By employment category		
	Senior Management	1.09%	KPI B3.1
	Middle management	5.87%	KPI B3.1
	Worker	93.04%	KPI B3.1
Training hour	Total	267,663	KPI B3.2
	By gender (average hour attended)		KPI B3.2
	Male	2.9	KPI B3.2
	Female	3.1	KPI B3.2
	By employment category (average hour attended)		KPI B3.2
	Senior Management	4.1	KPI B3.2
	Middle management	3.6	KPI B3.2
	Worker	3.0	KPI B3.2

Operating Practices			
Aspect B5: Supply Chain Management			
Performance Indicator		**2016 Data**	**HKEx ESG Report Guide KPI**
Active Supplier	In China	1,630	KPI B5.1
	In Hong Kong	250	KPI B5.1
Aspect B6: Product Responsibility			
	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	0.0094%	KPI B6.1
	Number of products and service related complaints received	51	KPI B6.2
Community			
Aspect B8: Community Investment			
	Total value of money and product donation (HKD)	136,000	KPI B8.2

ESG REFERENCE TABLE

Subject Area A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Page 35~39
KPI A1.1	The types of emissions and respective emission data.	Page 45
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and,where appropriate, intensity(e.g. per unit of production volume, per facility). Scope 1 emissions	Page 45
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Page 45
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity	Page 45
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Page 36~37
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Page 38~39
Aspect A2: Use of Resources		
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Page 37~39
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Page 45
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Page 45
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Page 37~38
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Page 37
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Page 45
Aspect A3: The Environment and Natural Resources		
General disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Page 35~39
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Page 35~39

Subject Area B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Page 40
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Page 46
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Page 46
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Page 41
KPI B2.1	Number and rate of work-related fatalities.	Page 47
KPI B2.2	Lost days due to work injury.	Page 47
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Page 41
Aspect B3: Development and Training		
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Page 40
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Page 47
KPI B3.2	The average training hours completed per employee by gender and employee category.	Page 47
Aspect B4: Labour Standards		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Page 40
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Page 40
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Page 40

Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Page 35, 42
KPI B5.1	Number of suppliers by geographical region.	Page 48
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Page 42
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Page 42~43
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Page 48
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Page 48
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Page 43
KPI B6.4	Description of quality assurance process and recall procedures.	Page 42
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Page 43
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Page 43
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Page 43
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Page 43
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Page 44
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Page 44
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Page 48

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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

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

BUSINESS REVIEW

A review of the business of the Group during the year as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement, Management Discussion and Analysis and Business Unit Report set out on pages 5 to 23.

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 70 to 152.

An interim dividend of HK1 cent per share was paid on 26 October 2016. The directors recommend the payment of a final dividend of HK 3 cents per share to shareholders on the register of members on 7 June 2017. 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.

Results

	Year ended 31 December					Period from 1 April to 31 December
	2016	2015	2014	2013	2012	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**2,955,924**	3,036,933	3,015,918	3,041,095	3,023,219	2,434,645
Operating profit	**66,399**	71,659	41,038	111,757	84,912	89,022
Finance costs	**(5,972)**	(6,632)	(9,538)	(6,729)	(10,372)	(7,214)
Share of losses of associates	**-**	–	–	–	(14,312)	(10,669)
Profit before income tax	**60,427**	65,027	31,500	105,028	60,228	71,139
Income tax	**(18,087)**	(22,516)	(22,107)	(22,869)	(14,968)	(15,232)
Profit for the year/period	**42,340**	42,511	9,393	82,159	45,260	55,907
Profit attributable to:						
Equity shareholders of the Company	**37,785**	38,199	7,914	77,209	42,482	53,930
Non-controlling interests	**4,555**	4,312	1,479	4,950	2,778	1,977
	42,340	42,511	9,393	82,159	45,260	55,907
Earnings per share						
Basic	**4.2 cents**	4.2 cents	0.9 cent	8.5 cents	4.7 cents	6.0 cents
Diluted	**4.2 cents**	4.2 cents	0.9 cent	8.5 cents	4.7 cents	6.0 cents

SUMMARY FINANCIAL INFORMATION (CONTINUED)

Assets, liabilities and non-controlling interests

	At 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	**1,113,515**	1,183,805	1,256,678	1,307,708	1,352,430
Land use rights	**77,736**	82,641	87,249	105,069	107,162
Properties under construction	**517**	1,219	1,910	10,084	12,262
Intangible assets	**8,970**	9,735	9,438	8,501	8,940
Deposits for acquisition of non-current assets	**40,577**	23,364	17,669	8,744	–
Available-for-sale financial assets	**45,755**	46,231	43,929	42,929	22,463
Deferred tax assets	**16,065**	8,675	12,050	14,090	9,664
Trade receivables	**–**	–	–	1,797	7,006
Current assets	**2,188,635**	2,177,363	2,385,554	2,319,120	2,109,296
Total assets	**3,491,770**	3,533,033	3,814,477	3,818,042	3,629,223
Current liabilities	**523,089**	577,686	718,900	653,233	538,812
Bank borrowings	**155,000**	85,000	194,667	195,000	228,937
Deferred tax liabilities	**55,434**	58,472	56,858	54,412	47,749
Total liabilities	**733,523**	721,158	970,425	902,645	815,498
Non-controlling interests	**145,391**	155,184	158,803	161,589	149,190
Equity attributable to equity shareholders of the Company	**2,612,856**	2,656,691	2,685,249	2,753,808	2,664,535

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries 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 30 to the financial statements, respectively.

DISTRIBUTABLE RESERVES

The Company's distributable reserve as at 31 December 2016, calculated under Part 6 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and with reference to the "Guidance on the Determination of Realised Profit and Losses in the Context of Distributions under the Hong Kong Companies Ordinance" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), amounted to HK$28,740,000 (2015: HK$26,064,000), of which HK$27,236,000 (2015: HK$22,697,000) has been proposed as a final dividend for the year.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$95,000 (2015: HK$162,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 32% of the total purchases for the year and purchases from the largest supplier included therein amounted to 14%.

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

DIRECTORS

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

Executive directors:
Yum Chak Ming, Matthew
Sung Chee Keung

Non-executive directors:
Sadatoshi Inoue
Hirofumi Hori
Katsuaki Tanaka
Yam Hon Ming, Tommy

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

DIRECTORS (CONTINUED)

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

Hirofumi Hori
Lo Chi Hong
Yap, Alfred Donald

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.

DIRECTORS OF SUBSIDIARIES

The following is the list of directors who have served on the boards of the subsidiaries of the Company during the year ended 31 December 2016 and up to the date of this report.

Chan Siu Man, Alvin
Chong Wai Kan, Winky
Lam Yuen Wai, Gary
Li Zhi Da
Lim Pheck Wan, Richard
Shek Kwok Man
So Ching Tung, Tony
Song Zhi Yi
Sung Chee Keung
Yam Ho Ming, Michael
Yu Yan Yee (Resigned on 3 October 2016)
Yum Carson, Christopher
Yum Chak Ming, Matthew
Yum Kevin, Nicholas
Zheng Young Hang

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

Executive directors

Mr. Yum Chak Ming, Matthew, aged 59, is the Executive Chairman of the Group. He has been a director of the Company since 1991. He holds a Bachelor of Applied Science degree in Industrial Engineering and a Master of Business Administration degree in Marketing and Finance, both from the University of Toronto, Canada. He is responsible for the overall management of the Group. He has been with the Group since 1983.

Mr. Sung Chee Keung, aged 58, is the Executive Director, Consumer Product Packaging. He is responsible for overseeing the operation of the Group's Consumer Product Packaging business in the People's Republic of China ("the PRC"). He holds a Bachelor of Science degree in Printing Engineering from Rochester Institute of Technology, U.S.A. He has over 30 years of experience in the printing industry and has been with the Group since 1986. He became a director of the Company in September 2008.

Non-executive directors

Mr. Sadatoshi Inoue, aged 55, is a member of the board of directors of Rengo Co., Ltd. ("Rengo"), a substantial shareholder of the Company and is the Managing Executive Officer of Rengo with responsibility of overseeing sales and marketing of Packaging Buisness Unit. He also sits on the board and serves as a President of Rengo Riverwood Packaging Co., Ltd. He holds a Bachelor of Education from Ashiya University, Japan. Mr. Inoue joined Rengo in 1985 and since then has held various positions in Rengo. Mr. Inoue has been a member of the board of director of Rengo since June 2012.

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

Non-executive directors (Continued)

Mr. Hirofumi Hori, aged 58, is a member of the board of directors of Rengo and is the Executive Officer with responsibility of overseeing the Overseas Business Group of Rengo. He holds a Bachelor of Economics from Wakayama University, Japan. Mr. Hori joined Rengo in 1981 and since then has held various positions in Rengo. He has been a member of the board of directors of Rengo since June 2014.

Mr. Katsuaki Tanaka, aged 66, 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 53, holds a Bachelor of Arts degree in Economics from York University, Canada. Mr. Yam has significant management experience in the printing industry. He was a non-executive director of the Company from 1991 to 1996. He re-joined the Company in 1999 and served as an executive director of the Company from July 2000 to July 2008. He was also the general manager of Hung Hing Packaging (Wuxi) Company Limited, a subsidiary of the Company, and was responsible for its general management between 2002 and 2008. He is a brother of Mr. Yum Chak Ming, Matthew.

Independent non-executive directors

Mr. Lo Chi Hong, aged 70, was a Board Director and Vice President of Sino United Publishing (Holdings) Limited and is an advisor to the group chairman of the Hung's Food Group which runs the restaurant and bakery chain under the "Yoshinoya" and "Maria's Bakery" brand names respectively. He has held senior managerial roles in the publishing industry over the last 30 years. From 1996 to 2007, he served as the chief executive officer of C&C Joint Printing (HK) Limited. Mr. Lo has also held a number of public posts in Hong Kong and China including acting as the chairman of the Advisory Board of the Hong Kong Institute of Print-media Professionals, an honorary president of the Chinese Manufacturers' Association of Hong Kong and an honorary president of the Hong Kong Printers Association. He served as a vice president of the Printing Technology Association of China, a council member of the World Print and Communication Forum (WPCF), a member of the Hong Kong Council for Accreditation of Academic & Vocational Qualifications and a member of the SME Development Fund Vetting Committee, and was the founding chairman of the Hong Kong Publishing Professionals Society. In 2005, Mr. Lo was awarded the Medal of Honour by the HKSAR Government. He was also the recipient of the Outstanding Achievement Award presented by the Hong Kong Print Awards in 2007. Mr. Lo was a PHD Candidate of Peking University in China in 1985.

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

Independent non-executive directors (Continued)

Mr. Luk Koon Hoo, aged 66, has been an independent non-executive director of the Company since August 2008. He is a retired banker and has 30 years of comprehensive experience in accounting and financial management. He joined Hang Seng Bank in 1975 and became the bank's Chief Financial Officer in 1989. He was appointed Executive Director and Deputy Chief Executive in 1994 and was subsequently re-designated as Managing Director until his retirement in 2005. Mr. Luk is currently an independent non-executive director of three publicly – listed companies in Hong Kong, namely, China Properties Group Limited, Computime Group Limited and i-Cable Communications Limited. Mr. Luk also serves as a council member of The Chinese University of Hong Kong and a member of Urban Renewal Authority. Mr. Luk graduated with a Bachelor of Social Sciences Degree in Statistics from The University of Hong Kong and also holds a Master of Business Administration Degree granted by The Chinese University of Hong Kong. He is a Fellow of the Hong Kong Institute of Bankers. Mr. Luk is a Non – official Justice of the Peace and was awarded the honour of Bronze Bauhinia Star in 2004 in recognition of his contributions to public services.

Mr. Yap, Alfred Donald, JP, aged 78, 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.

Senior management

Mr. Shek Kwok Man, aged 53, is the Chief Financial Officer and Company Secretary of the Group, providing overall financial leadership in matters related to mergers & acquisitions, investor relations, accounting, planning & reporting, treasury, and financial management of all manufacturing operations. He is also responsible to support the Group's board of directors on all the board related activities, and handle listing and regulatory affairs as the Group's authorized representative required under the Hong Kong Stock Exchange Rules on Listing Matters and the Company Ordinance. Mr. Shek joined the Group in February 2013, bringing with him over 25 years of management experience in senior executive roles with world-renowned multinational corporations such as IBM, Bausch & Lomb, Philip Morris/Kraft Foods, Thomson Reuters, Wrigley, Mead Johnson, Hershey's and Associated British Foods. He has been assigned to station in various locations including Tokyo, Guangzhou, Beijing and Shanghai in addition to Hong Kong. Mr. Shek is a member of the Institute of Chartered Accountants in England and Wales (ICAEW) as well as the Hong Kong Institute of Certified Public Accountants (HKICPA). He graduated from the University of Hong Kong with a BSSc (Hons) degree, and holds a MBA with Manchester Business School, UK and Master of Science – Marketing (MSc-Mktg) with Napier University, Edinburgh, Scotland.

Mr. Wong Fu Cheung, Dennis, aged 57, is the General Manager, Corporate Responsibility and Compliance and is responsible for overseeing improvements in quality (assurance and control), product engineering, safety, ethics and sustainability initiatives. He holds a Bachelor of Science degree in Computational and Statistical Science from the University of Liverpool and a Master of Business Management degree from University of Bradford both in U.K.. He has been with the Group since 1992.

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

Senior management (Continued)

Mr. Song Zhi Yi, aged 56, is responsible for the management of the Group's manufacturing operations in Shenzhen and Heshan. He holds a Bachelor's degree in Forestry from the Southern China Agricultural University, the PRC. He has been with the Group since 1990. He is a brother of Mr. Sung Chee Keung.

Mr. Chan Siu Man, Alvin, aged 59, is responsible for the Group's manufacturing operation in Hong Kong as well as the supply chain and procurement operations of the Group. He holds a Bachelor of Applied Science degree in Electrical Engineering from the University of Toronto. He has been with the Group since 1990. He is the brother-in-law of Mr. Yum Chak Ming, Matthew.

Ms. Chong Wai Kan, Winky, aged 46, 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 51, is the Chief Operation Officer of the Group's book and package printing business. He is responsible for the day-to-day operations and execution of the BPP's strategy. He holds a Master's Degree in International Marketing from the University of Strathclyde, Glasgow. He has over 20 years experience in the printing business and has managed operations in Singapore/Malaysia and Eastern China. He has been with the Group since July 2011.

Mr. So Ching Tung, Tony, aged 47, is responsible for the management of the corrugated box business in Hong Kong and Shenzhen. He holds a Bachelor of Science degree (Honours) in Chemistry from the Hong Kong Baptist University and a Master of Business Administration degree from The Hong Kong Polytechnic University. He has been with the Group since 2006.

Mr. Yu Yan Yee, aged 47, 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 is also the General Manager of the Company's subsidiary, Beluga Limited, focuses on the creation of high-tech print products that take advantage of innovative technology and mobile devices. Mr. Yu has over 15 years of experience in driving IT transformation projects and executing change programs. Prior to joining the Company, Mr. Yu spent 10 years with IBM serving clients from a wide range of industries in both Hong Kong and USA. 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.

Mr. Yum Carson, Christopher, aged 31, is responsible for the sales and marketing operations of the Group's book and package printing business. He holds a Bachelor of Arts degree in Business Management from Coventry University, UK. He has over 10 years of experience in the printing business, and has been with the Group since 2007. He is the son of Mr. Yum Chak Ming, Matthew.

INDEMNITY OF DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 35 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 2016, 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**	**Total**	**Percentage of the Company's issued share capital**
Yum Chak Ming, Matthew	29,763,030	–	29,763,030	3.28
Sung Chee Keung	1,423,064	60,000	1,483,064	0.16
Yap, Alfred Donald	27,504	–	27,504	–

Save as disclosed above, as at 31 December 2016, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Restricted Share Award Scheme, the executive directors are eligible participants of the Restricted Share Award Scheme, details of which are set out in note 29 to the financial statements.

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

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

At 31 December 2016, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

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

* C.H. Yam International Limited, established by the founder of the Company, was held by Mr. Yum Chak Ming, Matthew, Mr. Yam Hon Ming, Tommy and other immediate family members of the founder as at 31 December 2016. None of such interests renders C.H. Yam International Limited a controlled corporation (as defined in SFO) of any of Mr. Yum Chak Ming, Matthew, Mr. Yam Hon Ming, Tommy or any other members of the family.

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

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

Save as disclosed above, as at 31 December 2016, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and underlying shares" above, had registered an interest and short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

During the year and in the normal course of business, the Company and its subsidiaries (collectively the "Group") had various commercial transactions with Rengo Co., Ltd. ("Rengo"), its subsidiaries (Rengo, together with its subsidiaries the "Rengo Group") and its 30%-held associated company Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited ("Paper Mill Entity"). 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:

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 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 framework agreements were approved by the independent shareholders and became effective as from the Effective Date. The two 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.

Renewal of sale of paper products framework agreement and purchases of paper products framework agreement

In view of the expiry of the Sales of Paper Products Framework Agreement and the Purchases of Paper Products Framework Agreement, the Company and Rengo renewed the two framework agreements (the "Renewed Sale of Paper Products Framework Agreement" and the "Renewed Purchases of Paper Products Framework Agreement") on 1 December 2015 for a period of three years from 1 January 2016 to 31 December 2018. The terms of the Renewed Sale of Paper Products Framework Agreement and the Renewed Purchase of Paper Products Framework Agreement are similar to those of the Sale of Paper Products Framework Agreement and the Purchase of Paper Products framework Agreement respectively save the pricing policy. Pursuant to the terms of the renewed agreements, the price of paper products shall be determined on an arm's length basis and with reference to the prevailing market prices of similar products or the average price of similar products previously purchased. Further details of the pricing policy of the renewed agreements were set out in the announcement of the Company dated 1 December 2015. Under the renewed agreements, "Rengo Group" was redefined as Rengo Co., Ltd, its subsidiaries and its associates.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Renewal of sale of paper products framework agreement and purchases of paper products framework agreement (Continued)

The annual caps of the renewed agreements are as follows:

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

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

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

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

During the year ended 31 December 2016, the actual amount of transactions in relation to the Renewed Sale of Paper Products Framework Agreement and the Renewed Purchases of Paper Products Framework Agreement were HK$11.6 million and HK$7.8 million, respectively.

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

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the Annual Report in accordance with Main Board Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

The Independent Non-executive Directors of the Company have reviewed the above continuing connected transactions for the year ended 31 December 2016 and the letter issued by the auditor and confirmed that the above continuing connected transactions were entered into:

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

(ii) on normal commercial terms or better; and

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

KPMG were first appointed as auditors of the Company in 2015 upon the retirement of PricewaterhouseCoopers.

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

By order of the Board

Yum Chak Ming, Matthew
Executive Chairman

Hong Kong, 22 March 2017

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Hung Hing Printing Group Limited and its subsidiaries (together "the Group") set out on pages 70 to 152, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS OF OPINION

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

KEY AUDIT MATTERS

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

Valuation of raw materials	
Refer to accounting policy note 2(n) and note 18 to the consolidated financial statements	
The key audit matter	**How the matter was addressed in our audit**
At 31 December 2016, inventories comprised raw materials, work-in-progress ("WIP") and finished goods. Inventories are carried at the lower of cost and net realisable value ("NRV") in the consolidated financial statements. At 31 December 2016, the Group's raw materials, which principally comprised of paper, totaled HK$416 million, against which a provision of HK$20 million was recorded. NRV is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The provision for raw materials was calculated based on management's assessment of the ageing of the raw materials and their estimated NRV. We identified the valuation of raw materials as a key audit matter because of the significant degree of management judgement required to assess the appropriate level of provision for raw materials.	Our audit procedures to assess the valuation of the raw materials included the following: – assessing, on a sample basis, whether items in the raw materials ageing report were classified within the appropriate ageing bracket by comparing individual details with goods receipt notes; – inspecting the ageing of raw materials to identify long-aged items; – comparing the quantities of raw materials at the end of the reporting period with the utilisation of raw materials over the past financial year and the forward order book subsequent to the year end to identify slow moving items; – assessing the NRV of raw materials by comparing, on a sample basis, the selling price subsequent to the year end with the carrying value; – assessing whether the calculation of the provision for raw materials was consistent with the Group's raw materials provisioning policy by reviewing the calculation criteria and re-calculating the provision for individual items on a sample basis; and – assessing the historical accuracy of management's provision for raw materials by examining the utilisation or release of provisions recorded at the end of the previous financial year or new provisions recorded in the current financial year in respect of raw materials held as at 31 December 2015.

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

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG
Certified Public Accountants

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

Hong Kong, 22 March 2017

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Revenue	5	**2,955,924**	3,036,933
Cost of sales		**(2,510,845)**	(2,585,536)
Gross profit		**445,079**	451,397
Other revenue	5	**31,523**	32,183
Other net loss	5	**(15,587)**	(18,293)
Distribution costs		**(80,568)**	(76,061)
Administrative and selling expenses		**(314,048)**	(317,567)
Operating profit		**66,399**	71,659
Finance costs	7	**(5,972)**	(6,632)
Profit before income tax		**60,427**	65,027
Income tax	10	**(18,087)**	(22,516)
Profit for the year		**42,340**	42,511
Attributable to:			
Equity shareholders of the Company		**37,785**	38,199
Non-controlling interests		**4,555**	4,312
Profit for the year		**42,340**	42,511
Earnings per share attributable to equity shareholders of the Company	11		
Basic		**4.2 cents**	4.2 cents
Diluted		**4.2 cents**	4.2 cents
		$'000	$'000
Dividends	28	**36,315**	36,315

The notes on pages 78 to 152 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

(Expressed in Hong Kong dollars)

	Note	**2016** **$'000**	2015 $'000
Profit for the year		**42,340**	42,511
Other comprehensive income for the year (net of tax):			
Items that may be reclassified subsequently to profit or loss			
– Exchange differences on translation of financial statements of overseas subsidiaries		**(60,832)**	(46,746)
– Change in fair value of intangible assets	15	**(200)**	500
– Change in fair value of available-for-sale financial assets		**900**	3,333
		(60,132)	(42,913)
Total comprehensive income for the year		**(17,792)**	(402)
Attributable to:			
Equity shareholders of the Company		**(12,059)**	3,217
Non-controlling interests		**(5,733)**	(3,619)
		(17,792)	(402)

The notes on pages 78 to 152 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

(Expressed in Hong Kong dollars)

	Note	**2016** **$'000**	2015 $'000
Non-current assets			
Property, plant and equipment	12	**1,113,515**	1,183,805
Land use rights	13	**77,736**	82,641
Properties under construction	14	**517**	1,219
Intangible assets	15	**8,970**	9,735
Deposits for acquisition of non-current assets		**40,577**	23,364
Available-for-sale financial assets	17	**45,755**	46,231
Deferred tax assets	26(b)	**16,065**	8,675
		1,303,135	1,355,670
Current assets			
Inventories	18	**523,470**	522,328
Trade and bills receivables	19	**787,196**	786,864
Prepayments, deposits and other receivables	20	**47,642**	51,598
Pledged time deposits	21	**136,395**	85,403
Time deposits with original maturity over three months		**5,590**	180,958
Cash and cash equivalents	22	**684,831**	546,391
Income tax recoverable	26(a)	**3,511**	3,821
		2,188,635	2,177,363
Current liabilities			
Trade and bills payables	23	**201,930**	196,315
Other payables and accrued liabilities	24	**188,589**	180,722
Bank borrowings	25	**110,655**	188,698
Income tax payable	26(a)	**21,915**	11,951
		523,089	577,686
Net current assets		**1,665,546**	1,599,677
Total assets less current liabilities		**2,968,681**	2,955,347

	Note	2016 $'000	2015 $'000
Non-current liabilities			
Bank borrowings	25	**155,000**	85,000
Deferred tax liabilities	26(b)	**55,434**	58,472
		210,434	143,472
NET ASSETS		**2,758,247**	2,811,875
CAPITAL AND RESERVES			
Share capital	27	**1,652,854**	1,652,854
Reserves		**932,766**	981,140
Proposed dividend	28	**27,236**	22,697
Total equity attributable to equity shareholders of the Company		**2,612,856**	2,656,691
Non-controlling interests		**145,391**	155,184
TOTAL EQUITY		**2,758,247**	2,811,875

Approved and authorised for issue by the Board of Directors on 22 March 2017.

Yum Chak Ming, Matthew
Director

Sung Chee Keung
Director

The notes on pages 78 to 152 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company										
	Note	Share capital $'000	Other capital reserves (Note) $'000	Intangible asset revaluation reserve $'000	Available-for-sale investment revaluation reserve $'000	Legal reserves $'000	Exchange fluctuation reserve $'000	Retained earnings $'000	Proposed dividend $'000	Sub-total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2015		1,652,854	(4,831)	5,100	21,895	131,580	141,865	718,629	18,157	2,685,249	158,803	2,844,052
Changes in equity for 2015:												
Profit for the year		–	–	–	–	–	–	38,199	–	38,199	4,312	42,511
Other comprehensive income, net of tax		–	–	500	3,333	–	(38,815)	–	–	(34,982)	(7,931)	(42,913)
Total comprehensive income for the year		–	–	500	3,333	–	(38,815)	38,199	–	3,217	(3,619)	(402)
Dividend approved in respect of the previous year	28	–	–	–	–	–	–	–	(18,157)	(18,157)	–	(18,157)
Allocation to legal reserves		–	–	–	–	3,632	–	(3,632)	–	–	–	–
Reclassification of legal reserves upon deregistration of a subsidiary		–	–	–	–	(786)	–	786	–	–	–	–
Interim dividend	28	–	–	–	–	–	–	(13,618)	–	(13,618)	–	(13,618)
Proposed final dividend	28	–	–	–	–	–	–	(22,697)	22,697	–	–	–
Total transactions with equity shareholders, recognised directly in equity		–	–	–	–	2,846	–	(39,161)	4,540	(31,775)	–	(31,775)
Balance at 31 December 2015		1,652,854	(4,831)	5,600	25,228	134,426	103,050	717,667	22,697	2,656,691	155,184	2,811,875

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

Note: At 1 January 2015, 31 December 2015 and 31 December 2016, other capital reserves represented own held shares reserve and capital reserve with debit balances of $4,017,000 and $814,000 respectively.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Note	**2016 $'000**	2015 $'000
Operating activities			
Cash generated from operations	22(b)	**169,453**	100,290
Hong Kong profits tax paid		**(883)**	(8,104)
The People's Republic of China ("the PRC") income tax paid		**(15,024)**	(12,723)
Net cash generated from operating activities		**153,546**	79,463
Investing activities			
Settlement of derivative financial instruments		**(1,921)**	(3,478)
Interest received		**17,365**	21,785
Dividend received from available-for-sale financial assets	5	**404**	381
Purchases of property, plant and equipment	12	**(55,969)**	(63,369)
Purchases of software	15	**(414)**	(671)
Additions to properties under construction	14	**(3,061)**	(923)
Deposits for acquisition of property, plant and equipment		**(33,455)**	(13,465)
Proceeds from disposal of property, plant and equipment		**5,514**	8,298
Increase in pledged time deposits		**(52,269)**	(3,952)
Decrease/(increase) in time deposits with original maturity over three months		**174,990**	(133,547)
Net cash generated from/(used in) investing activities		**51,184**	(188,941)

	Note	2016 $'000	2015 $'000
Financing activities			
Proceeds from bank borrowings		**301,985**	42,067
Repayments of bank borrowings		**(310,028)**	(253,094)
Interest paid		**(5,914)**	(6,945)
Dividends paid to equity shareholders of the Company		**(31,776)**	(31,775)
Net cash used in financing activities		**(45,733)**	(249,747)
Net increase/(decrease) in cash and cash equivalents		**158,997**	(359,225)
Cash and cash equivalents at 1 January		**546,391**	917,658
Effect of foreign exchange rate changes		**(20,557)**	(12,042)
Cash and cash equivalents at 31 December	22(a)	**684,831**	546,391
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**432,099**	328,119
Time deposits with original maturity less than three months		**252,732**	218,272
		684,831	546,391

The notes on pages 78 to 152 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL INFORMATION

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

– Book and package printing;

– Consumer product packaging;

– Corrugated box; and

– Trading of paper.

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 22 March 2017.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries.

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

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

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

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

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

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests

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

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

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

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interests in the acquiree on an acquisition-by – acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

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

Acquisition-related costs are expensed as incurred.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Business combinations (continued)

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interests recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss (see note 2(i)(i)).

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

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

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

(iii) Disposal of subsidiaries

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

(iv) Structured entity

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(v) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment losses (see note 2(m)). Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

(e) Segment reporting

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

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

(f) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains and losses are presented in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

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

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

(iii) Group companies

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

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

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

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

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the equity shareholders of the Company are reclassified to profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign currency translation (continued)

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

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(g) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses (see note 2(m)). Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment (continued)

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

No depreciation is provided for properties under construction. The carrying amount of properties under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 2(m)).

(h) Land use rights

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

(i) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of

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

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

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

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

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment (see note 2(m)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Intangible assets (continued)

(ii) Computer software

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

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

(iii) Club debentures

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

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

(j) Other investments in debt and equity securities

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

(k) Derivative financial instruments

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

(l) Operating lease charges

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets

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

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

– significant financial difficulty of the debtor;

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

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

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

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

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

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

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

(ii) Impairment of other assets

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

– property, plant and equipment;

– intangible assets (including goodwill); and

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

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

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

(n) Inventories

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

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

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

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

(o) Trade and other receivables

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Interest-bearing borrowings

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

(q) Trade and other payables

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

(r) Cash and cash equivalents

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

(s) Employee benefits

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits (continued)

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

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

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

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

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

(ii) Share-based payments

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

– including any market performance conditions;

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

– excluding the impact of any non-vesting conditions.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits (continued)

(ii) Share-based payments (continued)

Under the Share Award Scheme, directors and employees of the Group are entitled to the shares for which are held in trust by Law Debenture Trust (Asia) Limited (the "Trustee") for the benefit of the directors and employees. The Trustee may be instructed to buy shares from the market using the funds held by the Trustee. Details of outstanding shares can be referred to note 29.

(iii) Termination benefits

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

(t) Income tax

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

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

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

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

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

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

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

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

    - the same taxable entity; or

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

(ii) Other provisions and contingent liabilities

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Other provisions and contingent liabilities (continued)

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

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

(v) Revenue recognition

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

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

(i) Sales of goods

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

(ii) Interest income

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revenue recognition (continued)

(iii) Dividend income

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

(iv) Government grants

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

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

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

(w) Borrowing costs

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

(x) Share capital

Ordinary shares are classified as equity.

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

(y) Dividend distribution

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

(z) Related parties

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

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

(ii) has significant influence over the Group; or

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Related parties (continued)

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

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

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

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

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

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

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

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

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

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Income taxes

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

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

(b) Estimated impairment of non-financial assets

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

The Group reviews for impairment of the intangible assets and property, plant and equipment in accordance with the accounting policy stated in note 2(m).

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

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

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

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

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

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

(e) Provision for inventories

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

(f) Provision for impairment loss of receivables

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

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

4 SEGMENT INFORMATION

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

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

(a) Book and Package Printing segment;

(b) Consumer Product Packaging segment;

(c) Corrugated Box segment; and

(d) Paper Trading segment.

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

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

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

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

Segment results do not include corporate finance costs and other corporate income and expenses. Segment assets do not include property, plant and equipment, intangible assets, available-for-sale financial assets, prepayments, deposits and other receivables, derivative financial instruments and bank and cash balances at corporate level.

4 SEGMENT INFORMATION (CONTINUED)

Business segments

(a) The following tables present revenue, results and certain assets, liabilities and capital expenditure information for the Group's business segments for the years ended 31 December 2016 and 2015.

	Book and package printing		Consumer product packaging		Corrugated box		Paper trading		Eliminations		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Segment revenue												
Sales to external customers	**1,766,428**	1,724,132	**625,881**	696,129	**149,788**	187,604	**413,827**	429,068	**-**	–	**2,955,924**	3,036,933
Inter-segment sales	**690**	870	**1,907**	1,059	**98,261**	98,316	**397,949**	385,406	**(498,807)**	(485,651)	**-**	–
Total	**1,767,118**	1,725,002	**627,788**	697,188	**248,049**	285,920	**811,776**	814,474	**(498,807)**	(485,651)	**2,955,924**	3,036,933
Segment results	**39,654**	57,327	**11,892**	11,386	**3,447**	10,619	**14,609**	14,155	**1,834**	1,264	**71,436**	94,751
Interest income and other income											**13,388**	22,943
Corporate and unallocated expenses											**(18,425)**	(46,035)
Operating profit											**66,399**	71,659
Finance costs											**(5,972)**	(6,632)
Profit before income tax											**60,427**	65,027
Income tax											**(18,087)**	(22,516)
Profit for the year											**42,340**	42,511

	Book and package printing		Consumer product packaging		Corrugated box		Paper trading		Unallocated/eliminations		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Assets												
Property, plant and equipment	**629,368**	651,831	**410,277**	451,820	**51,476**	52,755	**22,144**	25,205	**250**	2,194	**1,113,515**	1,183,805
Land use rights	**28,114**	29,181	**31,468**	34,601	**3,838**	4,140	**14,316**	14,719	**-**	–	**77,736**	82,641
Properties under construction	**289**	94	**228**	1,125	**-**	–	**-**	–	**-**	–	**517**	1,219
Inventories	**232,803**	212,315	**108,611**	97,903	**28,790**	25,353	**152,508**	186,157	**758**	600	**523,470**	522,328
Trade and bills receivables	**499,931**	457,666	**162,543**	191,532	**44,055**	49,625	**80,667**	88,041	**-**	–	**787,196**	786,864
Liabilities												
Trade and bills payables	**83,086**	86,999	**58,631**	46,604	**21,196**	18,647	**39,017**	44,065	**-**	–	**201,930**	196,315
Capital expenditure	**47,723**	40,230	**22,483**	24,172	**4,283**	645	**227**	1,437	**-**	–	**74,716**	66,484

4 SEGMENT INFORMATION (CONTINUED)

Business segments (continued)

(b) **Analysis of revenue by geographic locations of customers**

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

	2016 **$'000**	2015 $'000
Hong Kong	**840,812**	934,884
The PRC	**732,388**	824,264
Europe	**601,901**	607,994
United States of America	**634,231**	546,696
Other countries	**146,592**	123,095
	2,955,924	3,036,933

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

During the years ended 31 December 2016 and 2015, no single customer accounted for 10% or more of total revenue.

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

Non-current assets, other than financial instruments and deferred tax assets, by location:

	2016 **$'000**	2015 $'000
Hong Kong	**109,335**	113,538
The PRC	**1,131,980**	1,187,226
	1,241,315	1,300,764

5 REVENUE, OTHER REVENUE AND OTHER NET LOSS

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

	2016 **$'000**	2015 $'000
Revenue		
Sale of goods	**2,955,924**	3,036,933
Other revenue		
Dividend income from available-for-sale financial assets	**404**	381
Bank interest income	**13,388**	22,672
Sales of scrap materials	**4,471**	4,714
Government grants	**8,778**	2,658
Sundry income	**4,482**	1,758
	31,523	32,183
Other net loss		
Foreign exchange loss	**(6,939)**	(16,566)
Fair value (loss)/gain on derivative financial instruments not qualified as hedges	**(1,921)**	271
Loss on disposal of property, plant and equipment	**(6,696)**	(1,998)
Write-off of computer software	**(31)**	–
	(15,587)	(18,293)

6 EXPENSES BY NATURE

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

	Note	**2016 $'000**	2015 $'000
Depreciation#	12	**101,733**	104,769
Amortisation of land use rights	13	**2,756**	2,951
Amortisation of intangible assets#	15	**948**	873
Auditor's remuneration			
– Audit service		**1,960**	1,860
– Non-audit services (included tax matters, review and other reporting services)		**389**	67
Employee benefits expense#			
– excluding Directors' emoluments	8	**789,393**	794,774
Directors' emoluments	9(a)	**8,517**	11,567
Operating lease charges in respect of land and buildings		**7,454**	7,563
Provision for/(reversal of provision for) impairment loss of trade receivables, net	19	**32**	(2,000)
Recovery of bad debt		**–**	(57)
Cost of inventories#	18(b)	**2,510,845**	2,585,536

\# Cost of inventories include $717,058,000 (2015: $728,120,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 8 for each of these types of expenses.

7 FINANCE COSTS

	2016 $'000	2015 $'000
Interest on bank borrowings	**5,972**	6,632

8 EMPLOYEE BENEFITS EXPENSE – EXCLUDING DIRECTORS' EMOLUMENTS

	2016	2015
	$'000	$'000
Salaries, allowances, bonus and benefits in kind	**735,338**	739,923
Pension costs – defined contribution plans	**54,055**	54,851
	789,393	794,774

9 EMOLUMENTS FOR DIRECTORS AND MANAGEMENT

(a) Directors' emoluments

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

	2016	2015
	$'000	$'000
Fees:		
Non-executive directors	**1,400**	1,400
Other emoluments:		
Executive directors:		
– Salaries, allowances and benefits in kind	**6,487**	6,468
– Pension costs – defined contribution plans	**234**	233
– Discretionary bonus	**–**	3,069
Non-executive directors:		
– Salaries, allowances and benefits in kind	**396**	397
	8,517	11,567

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

9 EMOLUMENTS FOR DIRECTORS AND MANAGEMENT (CONTINUED)

(a) Directors' emoluments (continued)

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

	Fees $'000	Salaries, allowances and benefits in kind $'000	Employer's contribution to pension scheme $'000	Total $'000
Year ended 31 December 2016				
Executive directors:				
Yum Chak Ming, Matthew#*	-	4,680	216	4,896
Sung Chee Keung	-	1,807	18	1,825
	-	6,487	234	6,721
Non-executive directors:				
Yam Hon Ming, Tommy	200	-	-	200
Katsuaki Tanaka	200	396	-	596
Hirofumi Hori	200	-	-	200
Sadatoshi Inoue	200	-	-	200
	800	396	-	1,196
Independent non-executive directors:				
Yap, Alfred Donald	200	-	-	200
Luk Koon Hoo	200	-	-	200
Lo Chi Hong	200	-	-	200
	600	-	-	600

9 EMOLUMENTS FOR DIRECTORS AND MANAGEMENT (CONTINUED)

(a) Directors' emoluments (continued)

	Fees $'000	Salaries, allowances and benefits in kind $'000	Employer's contribution to pension scheme $'000	Discretionary bonus $'000	Total $'000
Year ended 31 December 2015					
Executive directors:					
Yum Chak Ming, Matthew# *	–	4,667	215	2,420	7,302
Sung Chee Keung	–	1,801	18	649	2,468
	–	6,468	233	3,069	9,770
Non-executive directors:					
Yam Hon Ming, Tommy	200	–	–	–	200
Katsuaki Tanaka	200	397	–	–	597
Hirofumi Hori	200	–	–	–	200
Sadatoshi Inoue	200	–	–	–	200
	800	397	–	–	1,197
Independent non-executive directors:					
Yap, Alfred Donald	200	–	–	–	200
Luk Koon Hoo	200	–	–	–	200
Lo Chi Hong	200	–	–	–	200
	600	–	–	–	600

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

Chairman
* Chief executive officer

9 EMOLUMENTS FOR DIRECTORS AND MANAGEMENT (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included two (2015: two) executive directors. Their emoluments are reflected in the analysis presented above. The aggregate of the emoluments in respect of the remaining three (2015: three) individuals during the year are as follows:

	2016	2015
	$'000	$'000
Salaries, allowances and benefits in kind	**5,827**	5,770
Pension costs – defined contribution plans	**146**	146
Discretionary bonus	**–**	2,719
	5,973	8,635

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

	Number of individuals	
	2016	2015
$1,500,001 – $2,000,000	**2**	–
$2,000,001 – $2,500,000	**1**	1
$2,500,001 – $3,000,000	**–**	1
$3,000,001 – $3,500,000	**–**	1
	3	3

(c) Senior management remuneration by band

Senior management remuneration by band included two (2015: two) executive directors:

	Number of individuals	
	2016	2015
Below $2,000,000	**9**	4
$2,000,001 – $2,500,000	**1**	4
$2,500,001 – $3,000,000	**–**	1
$3,000,001 – $3,500,000	**–**	1
Above $3,500,001	**1**	1
	11	11

10 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2016 $'000	2015 $'000
Current tax – Hong Kong Profits Tax		
– Provision for the year	–	1,732
– (Over)/under-provision in respect of prior years	(178)	91
	(178)	1,823
Current tax – PRC Corporate Income Tax and Withholding Tax		
– Provision for the year	19,086	13,375
– Under-provision in respect of prior years	7,273	632
	26,359	14,007
Deferred tax		
Origination and reversal of temporary differences (Note 26(b))	(8,094)	6,686
	18,087	22,516

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

10 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

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

	2016 **$'000**	2015 $'000
Profit before income tax	**60,427**	65,027
Notional tax on profit before income tax, calculated at the rates applicable to profits in the countries concerned	**15,911**	15,117
Tax effect of non-deductible expenses	**4,577**	3,676
Tax effect of non-taxable income	**(1,978)**	(2,946)
Tax effect of utilisation of tax losses not recognised in prior years	**(4,744)**	(1,482)
Tax effect of unused tax losses not recognised during the year	**1,302**	1,472
Tax effect of tax losses recognised in prior years but reversed in current year	**4,058**	5,642
Tax effect of recognition of previously unrecognised tax losses	**(9,255)**	–
Withholding tax on earnings expected to be remitted by PRC subsidiaries	**1,020**	158
Under-provision in prior years, net	**7,095**	723
Others	**101**	156
Actual tax expense	**18,087**	22,516

For the years ended 31 December 2016 and 2015, there was no tax charge relating to components of other comprehensive income.

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $37,785,000 (2015: $38,199,000) and the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company.

	2016	2015
Profit attributable to equity shareholders of the Company ($'000)	**37,785**	38,199
Weighted average number of ordinary shares in issue ('000)	**907,865**	907,865
Weighted average number of own held shares for share award scheme ('000)	**(1,633)**	(1,633)
Weighted average number of ordinary shares in issue for calculation of basic earnings per share ('000)	**906,232**	906,232
Basic earnings per share (HK cents per share)	**4.2**	4.2

(b) Diluted earnings per share

For the years ended 31 December 2016 and 2015, diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings $'000	Plant and machinery $'000	Motor vehicles $'000	Furniture, fixtures and equipment $'000	Total $'000
At 1 January 2015:					
Cost	719,153	1,856,586	32,219	135,180	2,743,138
Accumulated depreciation	(251,422)	(1,108,922)	(26,102)	(100,014)	(1,486,460)
Net book amount	467,731	747,664	6,117	35,166	1,256,678
Year ended 31 December 2015					
Opening net book amount	467,731	747,664	6,117	35,166	1,256,678
Additions	71	57,274	1,395	4,629	63,369
Transfer from properties under construction (note 14)	–	1,516	–	–	1,516
Transfer from deposit for acquisition of non-current assets	–	1,521	–	–	1,521
Disposals	–	(9,967)	(222)	(107)	(10,296)
Depreciation	(20,768)	(74,933)	(1,897)	(7,171)	(104,769)
Exchange differences	(9,559)	(14,364)	(64)	(227)	(24,214)
Closing net book amount	437,475	708,711	5,329	32,290	1,183,805
At 31 December 2015:					
Cost	705,065	1,836,986	31,151	135,236	2,708,438
Accumulated depreciation	(267,590)	(1,128,275)	(25,822)	(102,946)	(1,524,633)
Net book amount	437,475	708,711	5,329	32,290	1,183,805

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

At 31 December 2016, certain buildings of the Group with carrying amount of $nil (2015: $65,757,000) have been pledged to secure banking facilities granted to the Group (note 25).

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2016 $'000	2015 $'000
Buildings in Hong Kong, held on lease of:		
Between 10–50 years	**57,581**	60,544
Buildings in the PRC, held on lease of:		
Between 10–50 years	**353,125**	376,931
	410,706	437,475

13 LAND USE RIGHTS

The movements of land use rights are as follows:

	2016 $'000	2015 $'000
At 1 January	**82,641**	87,249
Amortisation (note 6)	**(2,756)**	(2,951)
Exchange differences	**(2,149)**	(1,657)
At 31 December	**77,736**	82,641

13 LAND USE RIGHTS (CONTINUED)

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

	2016 $'000	2015 $'000
Land use rights in Hong Kong, held on lease of:		
Between 10–50 years	**15,785**	16,325
Land use rights in the PRC, held on lease of:		
Between 10–50 years	**61,951**	66,316
	77,736	82,641

At 31 December 2016, certain leasehold lands of the Group with carrying amount of $nil (2015: $15,358,000) have been pledged to banks to secure banking facilities granted to the Group (note 25).

14 PROPERTIES UNDER CONSTRUCTION

	2016 $'000	2015 $'000
At 1 January	**1,219**	1,910
Additions	**3,061**	923
Transfer to property, plant and equipment (note 12)	**(3,747)**	(1,516)
Exchange differences	**(16)**	(98)
At 31 December	**517**	1,219

The properties under construction are located in the PRC.

15 INTANGIBLE ASSETS

	Goodwill $'000	Club debentures $'000	Computer software $'000	Total $'000
At 1 January 2015:				
Cost or valuation	1,634	5,500	5,635	12,769
Accumulated depreciation	–	–	(3,331)	(3,331)
Net book amount	1,634	5,500	2,304	9,438
Year ended 31 December 2015				
Opening net book amount	1,634	5,500	2,304	9,438
Additions	–	–	671	671
Amortisation (note 6)	–	–	(873)	(873)
Fair value changes	–	500	–	500
Exchange differences	–	–	(1)	(1)
Closing net book amount	1,634	6,000	2,101	9,735
At 31 December 2015:				
Cost or valuation	1,634	6,000	6,298	13,932
Accumulated amortisation	–	–	(4,197)	(4,197)
Net book amount	1,634	6,000	2,101	9,735
Year ended 31 December 2016				
Opening net book amount	**1,634**	**6,000**	**2,101**	**9,735**
Additions	**–**	**–**	**414**	**414**
Amortisation (note 6)	**–**	**–**	**(948)**	**(948)**
Write-off	**–**	**–**	**(31)**	**(31)**
Fair value changes	**–**	**(200)**	**–**	**(200)**
Closing net book amount	**1,634**	**5,800**	**1,536**	**8,970**
At 31 December 2016:				
Cost or valuation	**1,634**	**5,800**	**6,530**	**13,964**
Accumulated amortisation	**–**	**–**	**(4,994)**	**(4,994)**
Net book amount	**1,634**	**5,800**	**1,536**	**8,970**

15 INTANGIBLE ASSETS (CONTINUED)

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

	Goodwill $'000	Club debentures $'000	Computer software $'000	Total $'000
At 31 December 2015:				
At cost	1,634	–	6,298	7,932
At valuation	–	6,000	–	6,000
	1,634	6,000	6,298	13,932
At 31 December 2016:				
At cost	**1,634**	**–**	**6,530**	**8,164**
At valuation	**–**	**5,800**	**–**	**5,800**
	1,634	**5,800**	**6,530**	**13,964**

Goodwill is attributable to the consumer product packaging segment.

16 INVESTMENTS IN SUBSIDIARIES

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

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued and fully paid up shares/ registered capital	Proportion of ordinary shares directly held by Company	Proportion of ordinary shares held by the Group	Proportion of ordinary shares held by non-controlling interests
Hung Hing Off-Set Printing Company Limited	Hong Kong/Limited liability company	Production and trading of paper products and carton boxes/ Hong Kong	100 ordinary shares	100%	100%	–
Sun Hing Paper Company Limited	Hong Kong/Limited liability company	Paper trading/Hong Kong	100 ordinary shares	100%	100%	–
Hung Hing Printing (China) Company Limited§§	The PRC/Limited liability company	Production and colour printing of paper products/Mainland China	HK$566,000,000	–	100%	–

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued and fully paid up shares/ registered capital	Proportion of ordinary shares directly held by Company	Proportion of ordinary shares held by the Group	Proportion of ordinary shares held by non-controlling interests
Tai Hing Paper Products Company, Limited	Hong Kong/Limited liability company	Trading of corrugated cartons boxes/ Hong Kong	100 ordinary shares	100%	100%	–
Beluga Limited	Hong Kong/Limited liability company	Design and production of "print + digital" products/Hong Kong	2 ordinary shares	100%	100%	–
Zhongshan Hung Hing Printing & Packaging Company Limited§	The PRC/Limited liability company	Printing and manufacturing of paper cartons/Mainland China	USD20,000,000	–	71%	29%
Zhongshan Hung Hing Off-Set Printing Company Limited§	The PRC/Limited liability company	Production and colour printing of paper products/Mainland China	USD5,000,000	–	71%	29%
Hung Hing International Limited	British Virgin Islands/Limited liability company	Investment holding/Hong Kong	100 ordinary shares	100%	100%	–
South Gain Enterprises Limited	Hong Kong/Limited liability company	Selling and purchasing agent/ Hong Kong	1,700,000 ordinary shares	–	71%	29%
Po Hing Packaging (Shenzhen) Company Limited§§	The PRC/Limited liability company	Printing and manufacturing of paper cartons/Mainland China	USD11,200,000	–	100%	–
Zhongshan South Gain Paper Products Company Limited§§	The PRC/Limited liability company	Printing and manufacturing of paper cartons/Mainland China	USD15,000,000	–	71%	29%
Sun Hing Paper (Shenzhen) Company Limited§§	The PRC/Limited liability company	Paper trading/Mainland China	HK$30,000,000	–	100%	–
Hung Hing Packaging (Wuxi) Company Limited§§	The PRC/Limited liability company	Production and colour printing of paper products/Mainland China	USD31,050,000	100%	100%	–
Hung Hing Printing (Heshan) Company Limited§§	The PRC/Limited liability company	Production and colour printing of paper products/Mainland China	HK$290,000,000	–	100%	–
Jun Hing Company Limited§§	The PRC/Limited liability company	Paper trading/Mainland China	HK$19,200,000	–	100%	–

§ Sino-foreign equity joint venture

§§ Wholly foreign-owned enterprise

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

	South Gain Enterprises Limited Sub-group		**Zhongshan Hung Hing Printing & Packaging Company Limited**	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
NCI percentage	**29%**	29%	**29%**	29%
Current assets	**204,151**	204,235	**125,386**	151,629
Non-current assets	**135,943**	151,884	**180,588**	198,318
Current liabilities	**(102,459)**	(93,795)	**(79,204)**	(116,131)
Non-current liabilities	**(10,237)**	(11,982)	**(9,111)**	(9,597)
Net assets	**227,398**	250,342	**217,659**	224,219
Carrying amount of NCI	**65,945**	72,599	**63,121**	65,024
Revenue	**261,103**	309,899	**189,641**	222,216
Profit for the year	**7,613**	13,135	**7,884**	3,256
Total comprehensive income	**(9,320)**	(737)	**(6,560)**	(7,141)
Profit allocated to NCI	**2,208**	3,809	**2,286**	944
Dividend paid to NCI	**4,060**	–	**–**	–
Cash flows from operating activities	**40,416**	19,069	**(8,972)**	4,736
Cash flows from investing activities	**(3,798)**	(13,758)	**(8,986)**	(9,562)
Cash flows from financing activities	**(4,858)**	(17,422)	**(9,754)**	–

17 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	2016	2015
	$'000	$'000
Unlisted equity investments, at fair value	**31,969**	33,345
Unlisted equity investments, at cost	**80**	80
Club debentures, at fair value	**736**	809
Hong Kong listed equity investments, at fair value	**12,970**	11,997
	45,755	46,231

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

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

The fair values of unlisted equity investments are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted security. The significant assumptions and unobservable inputs utilised in valuation were as follows:

	2016	2015
– Discount rate	**12.0%**	12.0%
– Terminal growth rate	**3.5%**	3.5%

18 INVENTORIES

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

	2016 $'000	2015 $'000
Raw materials	**415,587**	420,486
Work in progress	**71,443**	71,685
Finished goods	**55,980**	56,986
	543,010	549,157
Less: Write-down of inventories	**(19,540)**	(26,829)
	523,470	522,328

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

	2016 $'000	2015 $'000
Carrying amount of inventories sold	**2,518,134**	2,585,355
(Reversal of)/write-down of inventories, net	**(7,289)**	181
	2,510,845	2,585,536

19 TRADE AND BILLS RECEIVABLES

	2016 $'000	2015 $'000
Trade receivables	**782,034**	788,941
Less: Provision for impairment loss of trade receivables	**(7,314)**	(12,481)
	774,720	776,460
Trade receivables due from related parties	**5,988**	819
Total trade receivables, net	**780,708**	777,279
Bills receivable	**6,488**	9,585
	787,196	786,864

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

19 TRADE AND BILLS RECEIVABLES (CONTINUED)

(a) Ageing analysis

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

	2016 **$'000**	2015 $'000
1–30 days	**287,219**	311,193
31–60 days	**173,693**	172,666
61–90 days	**108,902**	102,273
Over 90 days	**210,894**	191,147
	780,708	777,279

Trade receivables are normally due within 30 to 90 days from the date of billing. Further details on the Group's credit policy are set out in note 34(c).

(b) Trade receivables that are not impaired

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

	2016 **$'000**	2015 $'000
Neither past due nor impaired	**540,261**	562,615
Less than 1 month past due	**118,240**	103,240
1 to 3 months past due	**85,143**	79,754
Over 3 months past due	**37,064**	31,670
	240,447	214,664
	780,708	777,279

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

19 TRADE AND BILLS RECEIVABLES (CONTINUED)

(b) Trade receivables that are not impaired (continued)

As of 31 December 2016, trade receivables of approximately $240,447,000 (2015: $214,664,000) were past due but not impaired. These relate to certain customers with no history of credit default and they are in continuous business relationships with the Group. Based on past experience, management believes that no provision for impairment loss is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(c) Impairment of trade receivables

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

As of 31 December 2016, trade receivables of approximately $7,314,000 (2015: $12,481,000) were past due and fully provided for. The individually impaired receivables were mainly related to customers who were in financial difficulties.

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

	2016	2015
	$'000	$'000
At 1 January	**12,481**	24,708
Provision for/(reversal of provision for) impairment loss of trade receivables, net (note 6)	**32**	(2,000)
Amount written off as uncollectible	**(4,880)**	(9,974)
Exchange differences	**(319)**	(253)
At 31 December	**7,314**	12,481

20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 $'000	2015 $'000
Prepayments and deposits		
Prepayment for purchase of raw materials and services	**17,815**	25,008
Value added tax recoverable	**20,217**	13,984
Others	**5,074**	4,378
	43,106	43,370
Other receivables		
Bank interest receivables	**626**	4,604
Others	**3,910**	3,624
	4,536	8,228
	47,642	51,598

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

21 PLEDGED TIME DEPOSITS

At 31 December 2016, time deposits of $136,395,000 (2015: $85,403,000) were pledged as collaterals for the issuance of bills payable (see note 23).

22 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2016 $'000	2015 $'000
Cash at banks and on hand	**432,099**	328,119
Time deposits with original maturity less than three months	**252,732**	218,272
	684,831	546,391

22 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Note	2016 $'000	2015 $'000
Profit before income tax		**60,427**	65,027
Adjustments for:			
Finance costs	7	**5,972**	6,632
Bank interest income	5	**(13,388)**	(22,672)
Dividend income from available-for-sale financial assets	5	**(404)**	(381)
Fair value loss/(gain) on derivative financial instruments not qualified as hedges	5	**1,921**	(271)
Depreciation of property, plant and equipment	6	**101,733**	104,769
Amortisation of land use rights	6	**2,756**	2,951
Amortisation of intangible assets	6	**948**	873
Provision for/(reversal of provision for) impairment loss of trade receivables, net	6	**32**	(2,000)
(Reversal of)/write-down of inventories, net	18	**(7,289)**	181
Loss on disposal of property, plant and equipment	5	**6,696**	1,998
Write-off of computer software	5	**31**	–
		159,435	157,107
Decrease/(increase) in inventories		**6,147**	(7,216)
Increase in trade and bills receivables		**(11,723)**	(16,521)
Increase in prepayments, deposits and other receivables		**(1,278)**	(11,934)
Increase/(decrease) in trade and bills payables		**10,280**	(44,278)
Increase in other payables and accrued liabilities		**6,592**	23,132
Cash generated from operations		**169,453**	100,290

23 TRADE AND BILLS PAYABLES

	2016 **$'000**	2015 $'000
Trade payables	**175,132**	158,081
Bills payable	**26,798**	38,234
	201,930	196,315

At 31 December 2016, the bills payable of $22,826,000 (2015: $34,583,000) are secured by the pledged time deposits of $136,395,000 (2015: $85,403,000).

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

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

	2016 **$'000**	2015 $'000
1–30 days	**128,603**	122,213
31–60 days	**32,736**	28,216
61–90 days	**4,876**	2,480
Over 90 days	**8,917**	5,172
	175,132	158,081

24 OTHER PAYABLES AND ACCRUED LIABILITIES

	2016 **$'000**	2015 $'000
Other payables		
Staff benefits fund	**1,334**	1,424
Deposits received from customers	**13,963**	12,401
Other taxes payables	**7,387**	11,783
Others	**28,444**	14,389
	51,128	39,997
Accrued liabilities		
Employee benefits expenses	**62,638**	76,172
Commission	**31,119**	26,030
Social security insurances	**17,417**	14,414
Audit fee	**2,193**	2,175
Others	**20,151**	18,094
	133,518	136,885
Financial liabilities-subtotal	**184,646**	176,882
Provision for long service payments	**1,187**	1,187
Provision for annual leave	**2,756**	2,653
	188,589	180,722

All of the above balances are expected to be settled or recognised as income within one year or are repayable on demand, except for provision for long service payment of $1,187,000 (2015: $1,187,000) which are expected to be settled or recognised as income after one year.

25 BANK BORROWINGS

	Effective interest rate		Maturity			
	2016	2015	**2016**	2015	**2016** **$'000**	2015 $'000
Current						
Bank loans – guaranteed	**1%–3%**	1%–3%	**2017**	2016	**110,655**	188,698
Non-current						
Bank loans – guaranteed	**3%**	3%	**2018–2021**	2017–2020	**155,000**	85,000
Total bank loans					**265,655**	273,698

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

As at 31 December 2015, the Group's banking facilities amounting to $5,968,000, were secured by the pledge of certain of the Group's buildings and land use rights, which had an aggregate carrying amount at the end of the reporting period of $81,115,000 (see notes 12 and 13). Such bank facilities were not utilised during the year ended 31 December 2015 and were expired during the year ended 31 December 2016. No banking facilities were secured as at 31 December 2016.

The Group had bank loan and trade facilities of $804,000,000 (2015: $726,101,000), of which $265,655,000 (2015: $273,698,000) had been utilised as at the end of the reporting period.

The bank loans are subject to certain covenants and the Group has not breached any borrowing limits or covenants on any of its banking facilities. Further details of the Group's management of liquidity risk are set out in note 34(e).

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2016 **$'000**	2015 $'000
Provision for Hong Kong profits tax for the year	**–**	1,732
Provisional profits tax paid	**(3,511)**	(4,182)
	(3,511)	(2,450)
Taxation outside Hong Kong		
– PRC corporate income tax payable	**21,915**	10,580
	18,404	8,130

	2016 **$'000**	2015 $'000
Income tax recoverable	**(3,511)**	(3,821)
Income tax payable	**21,915**	11,951
	18,404	8,130

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

(b) Deferred tax assets and liabilities recognised:

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

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

	Tax losses $'000	Differences between depreciation allowances and related depreciation $'000	Provision for impairment loss of trade receivables $'000	Withholding tax $'000	Other temporary differences $'000	Total $'000
Deferred tax arising from:						
At 1 January 2015	(20,305)	71,338	(4,660)	9,061	(10,626)	44,808
Charged/(credited) to profit or loss (note 10(a))	4,012	389	2,293	158	(166)	6,686
Exchange differences	398	(1,867)	65	(416)	123	(1,697)
At 31 December 2015	(15,895)	69,860	(2,302)	8,803	(10,669)	49,797
At 1 January 2016	**(15,895)**	**69,860**	**(2,302)**	**8,803**	**(10,669)**	**49,797**
(Credited)/charged to profit or loss (note 10(a))	**(7,770)**	**(486)**	**793**	**438**	**(1,069)**	**(8,094)**
Exchange differences	**489**	**(2,488)**	**79**	**(577)**	**163**	**(2,334)**
At 31 December 2016	**(23,176)**	**66,886**	**(1,430)**	**8,664**	**(11,575)**	**39,369**

(ii) Reconciliation to the consolidated statement of financial position

	2016 $'000	2015 $'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(16,065)**	(8,675)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**55,434**	58,472
	39,369	49,797

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

(c) Deferred tax assets not recognised

The Group has tax losses arising in Hong Kong of $131,822,000 (2015: $130,324,000) and the PRC of $62,378,000 (2015: $120,692,000), which are available for offsetting against future taxable profits of the companies in which the losses arose. These tax losses are subject to further approval by relevant tax authorities. The tax losses arising in Hong Kong do not have any expiry date, while those arising in the PRC are due to expire within five years.

Among the tax losses arising in the PRC and Hong Kong, tax losses amounting $121,660,000 (2015: $63,580,000) have been recognised as deferred tax assets of $23,176,000 (2015: $15,895,000) 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.

At 31 December 2016, the Group has not recognised deferred tax assets in respect of cumulative tax losses, whose expiry dates are:

	2016 **$'000**	2015 $'000
Within 1 year	**5,824**	34,653
More than 1 year but within 5 years	**20,045**	22,459
Do not expire under current tax legislation	**46,671**	130,324
	72,540	187,436

Deferred tax liabilities of $19,957,000 (2015: $19,317,000) have not been recognised at 31 December 2016 for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries established in the PRC.

27 SHARE CAPITAL

	2016 **No. of shares** **'000**	**2016** **$'000**	2015 No. of shares '000	2015 $'000
At 1 January and 31 December	**907,865**	**1,652,854**	907,865	1,652,854

The Company's issued and fully paid shares as at 31 December 2016 included 1,632,944 shares (2015: 1,632,944 shares) held in trust by the trustee under Restricted Share Award Scheme, details of which are set out in note 29.

During the years ended 31 December 2016 and 2015, the Company did not repurchase any of its own shares.

28 DIVIDENDS

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

	2016 **$'000**	2015 $'000
Interim dividend of HK1 cent (2015: HK1.5 cents) per ordinary share	**9,079**	13,618
Proposed final dividend of HK3 cents (2015: HK2.5 cents) per ordinary share	**27,236**	22,697
	36,315	36,315

The Directors recommend the payment of a final dividend of HK3 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 25 May 2017. These consolidated financial statements do not reflect this as dividend payable but account for it as proposed dividends in reserves (note 30).

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

	2016 **$'000**	2015 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK2.5 cents (2015: HK2 cents) per ordinary share	**22,697**	18,157

29 RESTRICTED SHARE AWARD SCHEME

The Restricted Share Award Scheme (the "Scheme") was adopted by the Company on 21 December 2009 as an incentive to attract, motivate and retain employees of the Group. It will expire on 30 June 2018.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

29 RESTRICTED SHARE AWARD SCHEME (CONTINUED)

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

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

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

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

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

The latest share awards were granted on 31 March 2011. All the shares awarded had been fully vested in 2014. There was no share award offered and granted to the participants during the years ended 31 December 2016 and 2015. In addition, none of the shares awarded was forfeited during the years ended 31 December 2016 and 2015.

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

	Number of shares	
	2016	2015
At 1 January and 31 December	**1,632,944**	1,632,944

There was no purchase of shares by the Trustee for the scheme during the years ended 31 December 2016 and 2015.

30 RESERVES

(a) Movements in components of equity

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

	Share capital $'000	Other capital reserves $'000	Available-for-sale investment revaluation reserve $'000	Retained earnings $'000	Proposed dividend $'000	Total $'000
At 1 January 2015	1,652,854	(4,017)	9,049	425,320	18,157	2,101,363
Changes for the year						
Profit for the year	–	–	–	33,475	–	33,475
Other comprehensive income	–	–	(83)	–	–	(83)
Total comprehensive income	–	–	(83)	33,475	–	33,392
Dividend approved in respect of the previous year (note 28(b))	–	–	–	–	(18,157)	(18,157)
Interim dividend (note 28(a))	–	–	–	(13,618)	–	(13,618)
Proposed final dividend (note 28(a))	–	–	–	(22,697)	22,697	–
At 31 December 2015	1,652,854	(4,017)	8,966	422,480	22,697	2,102,980

30 RESERVES (CONTINUED)

(a) Movements in components of equity (continued)

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

30 RESERVES (CONTINUED)

(b) Nature and purpose of reserves

(i) Legal reserves

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

(ii) Intangible asset revaluation reserve

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

(iii) Available-for-sale investment revaluation reserve

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

(iv) Exchange fluctuation reserve

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

31 CAPITAL RISK MANAGEMENT

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

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

31 CAPITAL RISK MANAGEMENT (CONTINUED)

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

During the year, the Group's strategy was to maintain the net debt gearing ratio below 30%. As at 31 December 2016 and 2015, the Group had net cash position as follows:

	2016 **$'000**	2015 $'000
Cash and cash equivalents, time deposits with original maturity over three months and pledged time deposits	**826,816**	812,752
Total bank borrowings (note 25)	**(265,655)**	(273,698)
	561,161	539,054

As the Group had a net cash position, the net debt gearing ratio as at 31 December 2016 was nil (2015: nil).

32 CONTINGENT LIABILITIES

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

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

	2016 **$'000**	2015 $'000
A former related company	**25,713**	17,904

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

	2016 **$'000**	2015 $'000
A former related company	**25,713**	17,904

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

33 COMMITMENTS

(a) Operating lease commitments

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

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

	2016 **$'000**	2015 $'000
Not later than one year	**4,492**	6,565
Later than one year and not later than five years	**11,326**	11,815
Later than five years	**49,155**	56,481
	64,973	74,861

(b) Capital commitments

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

	2016 **$'000**	2015 $'000
Contracted for, but not provided for	**8,549**	14,263

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, equity price risk and liquidity risk. The policies to mitigate each of these risks are summarised below. The board manages and monitors these risks to ensure that appropriate measures are implemented in a timely and effective manner. The Group's accounting policies in relation to derivatives are set out in note 2(k) to the financial statements.

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

(a) Interest rate risk

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

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

During the year ended 31 December 2016, interest rate swaps have been entered into to achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy. At 31 December 2016, the fair value of interest rate swaps is immaterial to the Group.

At 31 December 2016, the Group had approximately $94 million (2015: nil) of the variable rate bank borrowings which effectively bear fixed interest rates as a result of the interest rate swaps.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (as defined above) at the end of the reporting period.

	2016		2015	
	Effective interest rate %	**$'000**	Effective interest rate %	$'000
Net fixed rate borrowings:				
Bank borrowings	**3.0**	**179,000**	3.0	97,000
Variable rate borrowings/ (cash and bank deposits):				
Bank borrowings	**1.3–1.8**	**86,655**	0.9–2.4	176,698
Less: Pledged time deposits	**1.4–3.0**	**(136,395)**	2.7	(85,403)
Time deposits with original maturity over three months	**1.6**	**(5,590)**	3.3	(180,958)
Time deposits with original maturity less than three months	**0.4–4.0**	**(252,732)**	2.2	(218,272)
Cash at bank and on hand	**0–1.5**	**(432,099)**	0–1.2	(328,119)
		(740,161)		(636,054)
Total net cash and bank deposits		**(561,161)**		(539,054)

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

(a) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2016, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit before income tax by approximately $2,982,000 (2015: $2,457,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit before income tax that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit before income tax is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2015.

(b) Foreign currency risk

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

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

When there are significant foreign currency transactions other than the functional currencies of the major operating companies within the Group, the Group will use forward currency contracts to manage the foreign currency exposure. The forward currency contracts must be in the same currency as the hedged item. At 31 December 2016, the fair value of forward currency contract is immaterial to the Group.

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

(b) Foreign currency risk (continued)

(i) Exposure to currency risk

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

	Exposure to foreign currencies (expressed in HKD)					
	2016			2015		
	RMB	**HKD**	**USD**	RMB	HKD	USD
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Trade and bills receivables	**6,465**	**-**	**402,599**	8,178	–	367,556
Pledged time deposits	**117,384**	**-**	**-**	65,648	–	–
Time deposits with original maturity over three months	**-**	**-**	**-**	167,828	–	–
Cash and cash equivalents	**199,501**	**3,687**	**283,444**	209,090	3,233	80,006
Trade and bills payables	**(79,313)**	**(18)**	**(27,551)**	(82,896)	(18)	(31,734)
Bank borrowings	**-**	**-**	**(46,655)**	–	(5,000)	(81,565)
Net exposure arising from recognised assets and liabilities	**244,037**	**3,669**	**611,837**	367,848	(1,785)	334,263

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

(b) Foreign currency risk (continued)

(ii) Sensitivity analysis

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

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

	2016		2015	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit before income tax $'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit before income tax $'000
RMB#	**2%**	**4,881**	2%	7,357
	(2%)	**(4,881)**	(2%)	(7,357)
HKD*	**2%**	**73**	2%	(36)
	(2%)	**(73)**	(2%)	36
USD*	**2%**	**1,441**	2%	1,001
	(2%)	**(1,441)**	(2%)	(1,001)

For the company and subsidiaries with functional currency as HKD

* For subsidiaries with functional currency as RMB

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2015.

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

(c) Credit risk

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

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

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 19 to the financial statements.

(d) Equity price risk

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

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

(e) Liquidity risk

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

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

(e) Liquidity risk (continued)

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

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

		2016					2015				
	Note	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but within 2 years $'000	More than 2 years but within 5 years $'000	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but within 2 years $'000	More than 2 years but within 5 years $'000
Bank borrowings, including interest payable		**265,655**	**281,265**	**115,194**	**28,264**	**137,807**	273,698	283,504	191,521	14,342	77,641
Trade and bills payables		**201,930**	**201,930**	**201,930**	**-**	**-**	196,315	196,315	196,315	–	–
Other payables and accrued liabilities	24	**184,646**	**184,646**	**184,646**	**-**	**-**	176,882	176,882	176,882	–	–
		652,231	**667,841**	**501,770**	**28,264**	**137,807**	646,895	656,701	564,718	14,342	77,641

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. No term loan was subject to repayment on demand clause at 31 December 2015 and 2016.

(f) Fair value estimation

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

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

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

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

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

(f) Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2016 and 2015:

	2016				2015			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets								
Available-for-sale financial assets:								
– Club debentures	**-**	**-**	**736**	**736**	–	–	809	809
– Unlisted equity securities	**-**	**-**	**31,969**	**31,969**	–	–	33,345	33,345
– Listed equity securities	**12,970**	**-**	**-**	**12,970**	11,997	–	–	11,997
	12,970	**-**	**32,705**	**45,675**	11,997	–	34,154	46,151

(i) Financial instruments in level 1

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

(ii) Financial instruments in level 3

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

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

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

(f) Fair value estimation (continued)

(ii) Financial instruments in level 3 (continued)

The following table presents the changes in level 3 instruments for the years ended 31 December 2016 and 2015:

	2016				2015			
	Club debentures $'000	Unlisted equity investments $'000	Derivative financial instruments $'000	Total $'000	Club debentures $'000	Unlisted equity investments $'000	Derivative financial instruments $'000	Total $'000
At 1 January	**809**	**33,345**	**-**	**34,154**	891	34,377	(3,749)	31,519
(Loss)/gain recognised in profit or loss	**-**	**-**	**(1,921)**	**(1,921)**	–	–	271	271
Net loss transfer to equity	**(73)**	**-**	**-**	**(73)**	(82)	–	–	(82)
Settlement on maturity	**-**	**-**	**1,921**	**1,921**	–	–	3,478	3,478
Exchange differences	**-**	**(1,376)**	**-**	**(1,376)**	–	(1,032)	–	(1,032)
At 31 December	**736**	**31,969**	**-**	**32,705**	809	33,345	–	34,154
Total (loss)/gain for the year included in profit or loss	**-**	**-**	**(1,921)**	**(1,921)**	–	–	271	271

35 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	2016 $'000	2015 $'000
Sales of raw materials or finished goods to:		
A substantial shareholder	**8,548**	9,253
Parties under control of a substantial shareholder	**3,005**	7,940

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

35 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

Save as disclosed in note 19, there were no outstanding balances with related parties as at 31 December 2016 (2015: nil).

(c) Compensation of key management personnel of the Group

	2016	2015
	$'000	$'000
Short-term employment benefits	**12,694**	28,445
Post-employment benefits	**7,228**	504
	19,922	28,949

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

The related party transaction in respect of note 35(a) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Continuing Connected Transactions" of the Directors' Report.

36 COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	2016	2015
	$'000	$'000
Non-current assets		
Property, plant and equipment	**249**	356
Land use rights	**4,973**	5,472
Intangible asset	**194**	277
Available-for-sale financial assets	**12,383**	12,456
Deposits for acquisition of non-current assets	**570**	–
Investments in subsidiaries	**241,925**	241,925
Deferred tax assets	**9,266**	–
	269,560	260,486

36 COMPANY LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	2016 $'000	2015 $'000
Current assets		
Prepayments, deposits and other receivables	**755**	8,895
Amounts due from subsidiaries	**1,751,645**	1,566,856
Loans to subsidiaries	**40,000**	40,000
Time deposits with original maturity over three months	**–**	167,530
Cash and cash equivalents	**78,669**	69,038
	1,871,069	1,852,319
Current liabilities		
Amounts due to subsidiaries	**27,898**	1,348
Other payables and accrued liabilities	**3,809**	8,477
	31,707	9,825
Net current assets	**1,839,362**	1,842,494
NET ASSETS	**2,108,922**	2,102,980
CAPITAL AND RESERVES		
Share capital	**1,652,854**	1,652,854
Reserves	**428,832**	427,429
Proposed dividend	**27,236**	22,697
TOTAL EQUITY	**2,108,922**	2,102,980

Approved and authorised for issue by the Board of Directors on 22 March 2017.

Yum Chak Ming, Matthew
Director

Sung Chee Keung
Director

(Expressed in Hong Kong dollars unless otherwise indicated)

37 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group entered into an agreement to transfer the equity interest in Sun Hing Paper (Shenzhen) Company Limited to a mainland China-based buyer, Shenzhen Jinzhi Investment Co. Ltd., at a total consideration of RMB1,026 million, resulting in an estimated gain of $900 million. The transaction is subject to certain conditions, including the approval by shareholders at an extraordinary general meeting and is expected to be completed in September 2017.

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of this Financial Information, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far the group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the group has not completed its assessment, further impacts may be identified in due courses and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

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

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

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

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

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 33(a), at 31 December 2016 the Group's future minimum lease payments under non-cancellable operating leases amount to $64,973,000 for properties, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

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