Prosperous Printing Company Limited
萬里印刷有限公司

(incorporated in Hong Kong with limited liability)

Stock Code: 8385

Annual Report 2017

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Sam Ming *(Chairman)*
Ms. Yao Yuan
Ms. Chan Sau Po

Non-executive Director

Mr. Ong Chor Wei

Independent non-executive Directors

Ms. Cheung Yin
Mr. Wong Hei Chiu
Mr. Leung Vincent Gar-Gene

AUDIT COMMITTEE

Ms. Cheung Yin *(Chairman)*
Mr. Wong Hei Chiu
Mr. Leung Vincent Gar-Gene

REMUNERATION COMMITTEE

Mr. Wong Hei Chiu *(Chairman)*
Ms. Cheung Yin
Mr. Lam Sam Ming

NOMINATION COMMITTEE

Mr. Lam Sam Ming *(Chairman)*
Mr. Wong Hei Chiu
Ms. Cheung Yin

RISK MANAGEMENT COMMITTEE

Mr. Lam Sam Ming *(Chairman)*
Ms. Chan Sau Po
Ms. Yao Yuan

COMPANY SECRETARY

Mr. Ho Tai Wai David, *FCPA (Practising), ACIS*

AUTHORISED REPRESENTATIVES

Mr. Lam Sam Ming
Ms. Chan Sau Po

COMPLIANCE OFFICER

Ms. Chan Sau Po

REGISTERED OFFICE, HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

3/F, Yip Cheung Centre
10 Fung Yip Street
Chai Wan
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

Corporate Information

COMPLIANCE ADVISER

Kingsway Capital Limited
7/F, Tower One, Lippo Centre
89 Queensway
Hong Kong

AUDITOR

Crowe Horwath (HK) CPA Limited
9/F Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

COMPANY'S WEBSITE

www.prosperous-printing-group.com.hk.

STOCK CODE

8385

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**") of the Company, I am pleased to present the first annual report of the Company for the year ended 31 December 2017 after its successful listing (the "**Listing**") on GEM on 13 December 2017 (the "**Listing Date**"). Unless otherwise stated, the capitalized terms used in this annual report shall have the same meaning as those used in the prospectus ("**Prospectus**") dated 29 November 2017.

The year 2017 is a significant milestone for the corporate development of the Company. With the joint efforts of various professional parties, the Group has successfully listed its shares on the GEM on 13 December 2017. The response in the capital market reflected the recognition of the competition edges of the Company by investors and their confidence regarding the Group's business prospects. The Listing will not only help to improve corporate image, strengthen financial strength and enhance corporate governance and transparency, but will also enable the Group to converge with the international capital market, hence expanding the room for future growth.

BUSINESS REVIEW

The Group is a provider of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers located in the U.S., U.K., Australia and Europe (excluding U.K.). Our printing products include (i) leisure and lifestyle books (such as photography books, cookbooks and art books); (ii) educational textbooks and learning materials (such as primary, secondary and tertiary level school books); (iii) children's books (such as movie and video game series); and (iv) other paper-related products (such as national maps, leaflets, greeting cards, journals and calendars). We had two production sites with our Hong Kong Factory and Shenzhen Factory, each of which is a self-functioning printing and production arm of our Group.

FINANCIAL REVIEW

For the year ended 31 December 2017, the revenue of the Group slightly increased by 11.6% to approximately HK$430.7 million from approximately HK$386.0 million for the year ended 31 December 2016. Our revenue increment was mainly due to increase of customer orders. Despite our increase in the revenue for the year ended 31 December 2017, the Group recorded a decrease of approximately HK$6.4 million in net profit from approximately HK$13.0 million for the year ended 31 December 2016 to approximately HK$6.5 million for the year ended 31 December 2017, which was mainly due to, among other things, the one-off listing expenses.

Chairman's Statement

OUTLOOK

Looking forward, there are certain risks that the Group will face in further development such as we are subject to challenges from increase of paper cost and technological advancements in publishing and new forms of information dissemination. However, the Group remains cautiously optimistic of the 2018 prospects, and believes that the printing market will be sustainable in a steady and healthy way, and intends to further enhance its presence in the industry and capture market share. To achieve these goals, the Group has developed and will strive to implement the following business strategies: (i) improve equipment and level of automation, (ii) expand customer base and strengthen sales and marketing coverage, and (iii) continue to attract and retain top talent in the industry.

APPRECIATION

I would like to express my gratitude on behalf of the Group to all customers, suppliers, subcontractors, business partners and professional parties for their support to our business development and Listing process. I also take this opportunity to thank for the management and employees of the Group for their contribution and commitment throughout the year.

Mr. Lam Sam Ming
Chairman

Hong Kong, 29 March 2018

Profiles Of Directors And Senior Management

EXECUTIVE DIRECTORS

Mr. Lam Sam Ming (林三明) ("Mr. Lam"), aged 57, was appointed as our Director on 26 April 1993 and was re-designated as our executive Director on 8 September 2016. He is also the chairman and CEO of our Group and a Controlling Shareholder.

Mr. Lam is primarily responsible for the overall management and formulation of business strategy of our Group. He also oversees the overall financial and operation functions of our Group.

Mr. Lam has over 35 years of experience in the printing industry. Mr. Lam began his career in the printing industry when he was registered as an apprentice of The Hong Kong Printers Association in September 1976. Prior to founding our Group, Mr. Lam started his career in the industry when he was first employed as an apprentice by Hing Yip Printing Co. Ltd ("**HYP**"). He spent over 10 years with HYP between January 1983 and March 1993 and his last position at HYP was a manager of the production department.

Mr. Lam established our Group through L & L in December 1992. Since then he has been in charge of the overall business strategies and operation of our Group. Please refer to the section headed "*History, Reorganisation and Corporate Structure — Our Corporate Development*" in the Prospectus for further details. Currently, Mr. Lam assumes various directorships in our Group including those in Printplus, Great Wall and Century Sight. Mr. Lam is the spouse of Ms. Yao who is also our executive Director.

Mr. Lam was the sole director of Topping Shiny Limited ("**Topping Shiny**"), which was incorporated in Hong Kong, prior to its dissolution on 17 March 2017. The principal business of Topping Shiny was the provision of personalised photo albums. Topping Shiny was dissolved by way of deregistration under section 750 of the Companies Ordinance. Under this section, an application for deregistration can only be made if (a) all the members of the company agreed to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (c) the company has no outstanding liabilities. Mr. Lam has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this annual report.

Ms. Yao Yuan (姚遠) ("Ms. Yao"), aged 41, was appointed as our Director on 10 March 2016 and was re-designated as our executive Director on 8 September 2016.

Ms. Yao is primarily responsible for overseeing and liaising with local officials in relation to our Group's operations in the PRC. She has over 9 years of experience in the management of printing business and operations in the PRC. Prior to joining our Group, Ms. Yao was the general manager and a majority shareholder of Royal Step (SZ) which was one of our Group's sub-contractors during the Track Record Period and was primarily responsible for the overall management of the company, from 2008 to 2015. Ms. Yao was also the director of Royal Step Printing Company Limited, a company incorporated in Hong Kong with limited liability and an Independent Third Party, from 2008 to 2015.

Profiles Of Directors And Senior Management

Ms. Yao graduated from the University of Qiqihar (齊齊哈爾大學), the PRC, in July 1999 with a specialised diploma in Mechanical Design and Manufacturing (機械設計及製造). Ms. Yao is the spouse of Mr. Lam who is also our executive Director. Ms. Yao has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this annual report.

Ms. Chan Sau Po (陳秀寶) ("Ms. Chan"), aged 44, was appointed as our executive Director and chief financial controller of our Group on 8 September 2016.

Ms. Chan is primarily responsible for corporate financial planning, risk management, investor relations, accounting and treasury management of our Group. Ms. Chan joined our Group in February 1997 and has over 26 years of experience in accounting. Prior to joining our Group, she was employed by Stephen Law & Company, an audit firm, as Audit Senior from September 1991 to February 1997.

Ms. Chan obtained her higher diploma in accountancy from the Hong Kong Polytechnic University in 1999. Ms. Chan has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this annual report.

NON-EXECUTIVE DIRECTOR

Mr. Ong Chor Wei (王祖偉) ("Mr. Ong"), aged 48, was appointed as our non-executive Director on 8 September 2016. He has extensive experience in finance and accounting. Mr. Ong was or has been a director of the following listed companies in the three years immediately preceding the date of this annual report:

Period of Services	Name of the listed companies	Position held
November 2012 to October 2016	Hong Wei (Asia) Holdings Company Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8191)	Non-executive director
December 2007 to present	Joyas International Holdings Limited, whose shares are listed on the Singapore Exchange (Stock Code: E9L)	Non-executive director
March 2010 to present	Man Wah Holdings Limited, whose shares are listed on the main board of the Stock Exchange (Stock Code: 1999)	Non-executive director redesignated to independent non-executive director
April 2010 to present	O-Net Communications (Group) Limited, whose shares are listed on the main board of the Stock Exchange (Stock Code: 877)	Independent non-executive director

Period of Services	Name of the listed companies	Position held
June 2010 to present	Net Pacific Financial Holdings Limited, whose shares are listed on the Singapore Exchange (Stock Code: 5QY)	Executive director and chief executive officer
March 2014 to present	Zibao Metals Recycling Holdings Plc, whose shares are listed on the London Exchange (Stock Code: ZBO)	Executive finance director
November 2015 to present	Denox Environmental & Technology Holdings Limited, whose shares are listed on the main board of the Stock Exchange (Stock Code: 1452)	Independent non-executive director
January 2016 to present	Nameson Holdings Limited, whose shares are listed on the main board of the Stock Exchange (Stock Code: 1982)	Independent non-executive director
Since December 2017 to present	Smart Globe Holdings Limited, whose shares are listed on the GEM of Stock Exchange (stock code: 8485)	Independent non-executive director
Since June 2017 to present	Vico International Holdings Limited, whose shares are listed on the Main Board of Stock Exchange (stock code: 1621)	Non-executive director

Mr. Ong received his bachelor of laws degree from The London School of Economics and Political Science in August 1990. Mr. Ong also obtained via distance learning a master of business administration degree which was jointly awarded by the University of Wales and the University of Manchester, United Kingdom in March 2000. Mr. Ong has been an associate of The Institute of Chartered Accountants in England and Wales and an associate of the Hong Kong Society of Accountants since December 1993 and October 1995 respectively. Save as disclosed above, Mr. Ong has not held any other current or past directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Cheung Yin (張延) ("Ms. Cheung"), aged 52, was appointed as an independent non-executive Director on 15 November 2017. She is currently a financial controller of a private group in Hong Kong principally engaged in provision of various financial services. She is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of the CPA Australia.

Ms. Cheung obtained a master's degree in Business Administration from the University of Wales, Newport in the United Kingdom in December 2009 and a Bachelor's degree in Business (Accountancy) from the Charles Sturt University in Australia in April 1991.

Profiles Of Directors And Senior Management

Ms. Cheung worked for Coastal Greenland Limited which is listed on the main board of the Stock Exchange as a qualified accountant for the period from April 2004 to June 2007 and senior accounting manager/ accounting manager for the period from September 1995 to March 2004. She has over 25 years of experience in accounting, auditing and financial management. Ms. Cheung has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas during the three years preceding the date of this annual report.

Mr. Wong Hei Chiu (黃禧超) ("Mr. Wong"), aged 51, was appointed as an independent non- executive Director on 15 November 2017. Mr. Wong has over 26 years of corporate finance and financial management experience in Hong Kong and the PRC. Mr. Wong is currently an executive director, chief financial officer and company secretary of Kingmaker Footwear Holdings Limited, a listed company on the main board of the Stock Exchange (Stock Code: 1170) and an independent non-executive director of Vico International Holdings Limited, whose shares are listed on the Main Board of Stock Exchange (stock code: 1621).

Mr. Wong has worked as the group financial controller and company secretary of Karce International Holdings Company Limited (now known as Jimei International Entertainment Group Limited), a company listed on the main board of the Stock Exchange (Stock Code: 1159) from June 2000 to July 2008; and as the finance director and company secretary of Wah Lee Resources Holdings Limited (now known as Kai Yuan Holdings Limited), a company listed on the main board of the Stock Exchange (Stock Code: 1215) from June 1996 to December 2000. Mr. Wong was also an independent non-executive director of Hong Wei (Asia) Holdings Company Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8191), during the period from December 2013 to June 2016.

Mr. Wong obtained an Executive Master's degree in Business Administration from The Chinese University of Hong Kong in November 2016 and a Bachelor's degree in business administration from Lingnan University, Hong Kong in November 1996. He is a Certified Public Accountant (Practising), a fellow member of The Association of Chartered Certified Accountants in the United Kingdom, an associate member of The Institute of Chartered Accountants in England and Wales and an associate member of Hong Kong Institute of Certified Public Accountants. Mr. Wong is also a fellow member of the Hong Kong Institute of Directors. Save as disclosed above, Mr. Wong has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas during the three years preceding the date of this annual report.

Mr. Leung Vincent Gar-Gene (梁家進) ("Mr. Leung"), aged 32, was appointed as an independent non-executive Director on 15 November 2017. Mr. Leung has over 10 years of experience in auditing, accounting, finance and management. He is currently a director of Gemcoast Limited, a private company in Hong Kong principally engaged in providing financial consultancy services to its clients. He is a member of Chartered Accountants in Australia and New Zealand and is a member of its Hong Kong Committee.

Mr. Leung previously worked for PricewaterhouseCoopers within its financial assurance division in its Sydney and Hong Kong offices from January 2006 to May 2012 and from January 2013 to September 2014 respectively. From June to December 2012, Mr. Leung worked as the group finance manager for Bega Cheese Limited, the shares of which are listed on the Australian Securities Exchange (ASX securities code: BGA).

Mr. Leung obtained a bachelor of commerce degree from The University of New South Wales, Australia in March 2006. Mr. Leung has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas during the three years preceding the date of this annual report.

SENIOR MANAGEMENT

Our Board is assisted and supported by our senior management team, which currently comprises four members. The following table sets forth certain information of our senior management:

Name	Age	Date of joining our Group	Position
Ms. Wong Wai Sze (黃慧思)	52	2 August 2010	Vice President — Management
Mr. Ho Shu Chiu Franky (何樹超)	52	1 July 2008	Vice President
Mr. Hu Min (胡民)	57	3 October 1993	Vice President — Production
Mr. Wong Wai Keung (黃偉強)	57	2 May 2002	Vice President — Production and Material Control

Ms. Wong Wai Sze (黃慧思) ("Ms. Wong"), aged 52, is the Vice President — Management of our Group. She is primarily responsible for overseeing our Group's internal audit, information technology affairs, and factory inspections. Ms. Wong has over 26 years of experience in the printing and publishing industry in Hong Kong. She joined our Group in August 2010. Prior to joining our Group, Ms. Wong worked at Regent Publishing Services Limited as a director of operations from August 1991 to March 2010. Ms. Wong has not held any current or past directorships in any publicly listed companies, whether in Hong Kong or overseas, during the three years immediately preceding the date of this annual report.

Mr. Ho Shu Chiu Franky (何樹超) ("Mr. Ho"), aged 52, is the Vice President of our Group. He is primarily responsible for overseeing the day-to-day operations of Great Wall. Mr. Ho has over 30 years of experience in the printing and publishing industry in Hong Kong. He joined our Group in July 2008. Prior to joining our Group, Mr. Ho worked at South Sea International Press Limited from March 1993 to June 2008. He passed the certificate examination in commercial design organised by the Hong Kong Christian Service Kwun Tong Vocational Training Centre in October 1984 and completed a part-time evening technician print production techniques course at the printing industry training centre of the Vocational Training Council in July 1987. Mr. Ho has not held any current or past directorships in any publicly listed companies, whether in Hong Kong or overseas, during the three years immediately preceding the date of this annual report.

Mr. Hu Min (胡民) ("Mr. Hu"), aged 57, is the Vice President — Production of our Group. He is primarily responsible for overseeing our Hong Kong Factory and our Shenzhen Factory. Mr. Hu has over 23 years of experience in the printing and publishing industry in Hong Kong. Mr. Hu has not held any current or past directorships in any publicly listed companies, whether in Hong Kong or overseas, during the three years immediately preceding the date of this annual report.

Profiles Of Directors And Senior Management

Mr. Wong Wai Keung (黃偉強) ("Mr. Wong"), aged 57, is the Vice President — Production and Material Control of our Group. Mr. Wong has over 36 years of experience in the printing and publishing industry in Hong Kong. Prior to joining our Group in May 2002, Mr. Wong worked at Hing Yip Printing Company Limited from June 1981 to March 1996 and at Hing Yip China Printing & Binding Company Limited from April 1996 to April 2002, both as factory manager. Mr. Wong received an Advanced Certificate Programme on Industrial Management in the Mainland from Hong Kong Management Association in April 2005. Mr. Wong has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this annual report.

COMPANY SECRETARY

Mr. Ho Tai Wai David (何大偉) ("Mr. Ho"), aged 58, was appointed as the company secretary of our Company on 8 September 2016. Mr. Ho has been practising as a certified public accountant since January 1994 and has been the principal of David Ho & Co. Certified Public Accountants since July 1998.

Mr. Ho has been a Certified Public Accountant (Practising) in Hong Kong since January 1994 and an associate member of the Hong Kong Institute of Certified Public Accountants from July 1992 and became a fellow member since August 2001. Mr. Ho has also been an associate member of The Hong Kong Institute of Company Secretaries since January 1996 and an associate member of The Institute of Chartered Secretaries and Administrators in United Kingdom since January 1996 (combined with HKICS later on). Mr. Ho has also been an associate member of The Taxation Institute of Hong Kong since August 1998 and a Certified Tax Advisor of The Taxation Institute of Hong Kong since January 2013.

Mr. Ho obtained a Professional Diploma in Business Studies (Banking) awarded by the Hong Kong Polytechnic in November 1983 and a Diploma in Management Studies awarded by the Hong Kong Polytechnic in November 1990. Mr. Ho was awarded a Master of Business Administration by the University of Hong Kong in November 1993 and obtained a Postgraduate Diploma in Accountancy awarded by The Hong Kong Polytechnic University in November 2000. He also obtained an Advanced Diploma in Specialist Taxation awarded by the Hong Kong Institute of Certified Public Accountants in May 2014. Mr. Ho has not held any directorship in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this annual report.

COMPLIANCE OFFICER

Ms. Chan Sau Po is the compliance officer of our Group. Please refer to the sub-section headed "*Board of Directors — Executive Directors*" above for her biographical details.

Management Discussion And Analysis

BUSINESS REVIEW

We are a provider of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the U.S., U.K., Australia and Europe (excluding U.K.). Our products comprise mainly books and other paper-related products. Paper and ink are our principal raw materials. Our two production sites were the Shenzhen Factory and the Hong Kong Factory. Each of these factories is a self-functioning printing and production arm of our Group, and they share the printing workload allocated by our management.

The year 2017 is a significant milestone for our development history as we were successfully listed on the GEM in December 2017. Notwithstanding the intense market competition, we achieved an increase in revenue as a result of an increment in customer orders.

Looking forward, there are certain risk that the Group will face in further development such as challenges from increase in paper cost and technological advancements in publishing and new forms of information dissemination. However, we remain cautiously optimistic of the 2018 prospects and believe that the printing market will be sustainable in a steady and healthy way, and intend to continue to build our competitive strengths so as to increase market share and profitability. To achieve our goal, we plan to implement the following business strategies: improving our equipment and the level of automation, expanding customer base and strengthening sales and marketing coverage, and continuing to attract and retain top talent in the industry.

FINANCIAL REVIEW

Revenue

We generate revenue primarily from the provision of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the U.S., U.K., Australia and Europe (excluding U.K.). Our revenue increased by approximately 11.6% from approximately HK$386.0 million for the year ended 31 December 2016, to approximately HK$430.7 million for the year ended 31 December 2017. The increase was primarily due to the increase in revenue from orders from the customer for leisure and lifestyle books.

Costs of sales

Our cost of sales primarily consists of raw materials and consumables, staff costs, sub-contracting fees, depreciation and water and electricity. Our cost of sales increased by approximately 19.6% from approximately HK$260.5 million for the year ended 31 December 2016 to approximately HK$311.6 million for the year ended 31 December 2017. The increase was primarily due to the increase in our revenue and the increase in average prices of paper used.

Management Discussion And Analysis

Gross profit and gross profit margin

Our gross profit was approximately HK$125.6 million and HK$119.1 million for the year ended 31 December 2016 and 2017 respectively. Our gross profit margin was 32.5% and 27.6% respectively. The decrease in our gross profit and gross profit margin was primarily due to increase in the average prices of paper.

Other income

Other income/(losses) mainly consists of the gain on disposal of property, plant and equipment, exchange gain/loss, the profit arising from sale of paper and scrap materials and income received from government subsidies. We recorded other income of approximately HK$3.5 million during the year ended 31 December 2016 to HK$10.4 million during the year ended 31 December 2017. The increase was due to the exchange gain of HK$4.5 million during the year ended 31 December 2017 as compared to the exchange loss of HK$1.3 million during the year ended 31 December 2016.

Distribution costs

Distribution costs primarily consist of courier and freight charges, sales commissions and transportation costs. We recorded distribution cost of approximately HK$26.9 million during the year ended 31 December 2017 representing a decrease of 15.3% from HK$31.8 million during the year ended 31 December 2016, which was primarily due to the decrease in our sales commissions as a result of a greater portion of sales procured by our in-house sales team instead of external third party.

Administrative expenses

Administrative expense primarily consists of staff costs and benefits, directors' emoluments and rental and rates. The administrative expenses increased from HK$60.3 million during the year ended 31 December 2016 to HK$65.8 million during the year ended 31 December 2017, which is mainly due to the increase of our staff costs and benefits.

Other expenses

Other expenses primarily consist of impairment loss on trade debtors and listing expenses. Our other expenses increased from HK$10.3 million during the year ended 31 December 2016 to HK$16.0 million during the year ended 31 December 2017, which is mainly due to the increase of listing expenses.

Finance costs

We recorded finance costs of HK$8.3 million during the year ended 31 December 2016 and HK$8.3 million during the year ended 31 December 2017. The finance cost remained stable and mainly comprises interest on bank loans and overdrafts.

Income tax

Income tax represents income tax paid or payable by us, at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction our Group operates or domiciles. We had no tax payable in other jurisdiction other than Hong Kong and the PRC during the year ended 31 December 2017. Our operations in Hong Kong are subject to a statutory profit tax rate of 16.5%. Our operations in the PRC are subject to an enterprise income tax rate of 25.0%. Our income tax was approximately HK$5.4 million during the year ended 31 December 2016 and HK$5.9 million during the year ended 31 December 2017.

Profit for the year

As a result of the foregoing, our net profit decreased from HK$13.0 million during the year ended 31 December 2016 to HK$6.5 million during the year ended 31 December 2017, which was due to the listing expenses of approximately HK$15.2 million was incurred by the Group for year of 2017 while only approximately HK$8.1 million was recorded for the year of 2016.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2017, the Group had net current assets of approximately HK$45.0 million (31 December 2016: net current liabilities of HK$106.4 million), of which the cash and cash equivalents were approximately HK$49.4 million. The Group's current ratio is 1.2 (31 December 2016: 0.6).

Total bank borrowings, overdrafts and obligations under finance lease for the Group amounted to HK186.8 million as at 31 December 2017 (31 December 2016: HK$156.0 million). As at 31 December 2017, bank borrowings of HK$118.5 million are denominated in Hong Kong dollars while bank borrowings of HK$9.9 million were denominated in US Dollars. The effective interest rates are in the range of 2.69%-5.25% per annum. The gearing ratio as at 31 December 2017 was 0.70 (31 December 2016: 0.87) which is calculated on the basis of the Group's total bank loans, overdrafts and obligations under finance lease over the total equity.

As at 31 December 2017, bank loans and overdrafts in the amounts of HK$138.4 million within one year while the amounts of HK$41.4 million are due after one year. For details, please refer to note 22 of the financial statements.

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

The Shares were listed on GEM on 13 December 2017. There has been no change in the capital structure of the Group since then. The capital structure of the Company comprised ordinary shares only.

Management Discussion And Analysis

Foreign Currency Management

We are exposed to currency risk primarily through our sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily U.S. dollars, Renminbi, GBP and JPY.

On 15 December 2016, we entered into an optional forward foreign exchange contract, pursuant to which we will be able to exchange HK$7,331,500 for JPY110,000,000 by 24 March 2017. This arrangement is to mitigate our foreign exchange risk exposure related to the purchase of a machine at a cost of JPY110,000,000. On 14 March 2017, we exercised and settled such an optional forward foreign exchange contract. Save for the abovementioned optional forward foreign exchange contract, we have not entered into or transacted any other financial instruments for hedging purpose during the year ended 31 December 2017.

Our Directors will determine by reference to our currency risk management policies, assess our exposure to foreign exchange risk, consider whether or not and to what extent we should enter into similar forward foreign exchange contracts and monitor them in line with our currency risk management policies.

CAPITAL EXPENDITURE

Our capital expenditure primarily comprised of purchase of property, plant and equipment such as machinery for production. Our capital expenditure was funded by internal resources, finance leases and bank borrowings during the year ended 31 December 2017.

The following sets forth our Group's capital expenditure as at the dates indicated:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Property, plant and equipment	**259,265**	**278,931**
Intangible assets	**915**	**963**
Deposit for acquisition of property, plant and equipment	**3,533**	**3,233**
	263,713	**283,127**

Contingent Liabilities

The Group is a party to a number of legal proceedings where the Group, as plaintiff, claims for unpaid fees with respect to the Group's printing services, all of which arose during the ordinary course of Group's business. Among such legal proceedings, the Group has been subject to a counterclaim by the Group's former customer in one legal proceeding as at 31 December 2017. Given that Mr. Lam and two former directors of the Company entered into arrangements in 2012 and 2013 to settle the unpaid trade receivable due and the legal advices, the counterclaim is not expected to have a significant impact on the consolidated financial statements. For details, please refer to note 31 to the financial statements.

Significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures

There was no significant investment held by the Group nor any material acquisition or disposal of subsidiary, associate and joint venture for the year ended 31 December 2017, except the corporate reorganisation undergone in preparation for the Listing as set out in the prospectus of the Company dated 29 November 2017 (the "**Prospectus**").

Future plans for material investments or capital assets

As at the date of this report, the Board does not have any plan for material investments or additions of capital assets.

CHARGE ON GROUP ASSETS

As at 31 December 2017, the bank facilities were secured by bank deposits of the Group, available-for-sale investments of the Group, the Group's trade receivables, the Group's property, plant and equipment, the assignment of rental proceeds of the Group's properties situated in Hong Kong, benefits of key management insurance policies and corporate guarantees from the Company and certain subsidiaries. These banking facilities amounted to HK$323,399,000 (2016: HK$317,396,000) as at 31 December 2017. These facilities were utilized to the extent of HK$179,633,000 (2016: HK$162,116,000) as at 31 December 2017.

Pledged bank deposits are HK$6.8 million as at 31 December 2017 (31 December 2016: HK$12.0 million).

As at 31 December 2017, the Group's properties and machinery (as included in plant and equipment) with carrying amounts of HK$125,362,000 (2016: HK$129,906,000) and HK$7,336,000 (2016: nil), respectively, were pledged as collateral for the Group's banking facilities.

CAPITAL STRUCTURE

The Group's shares were successfully listed on GEM on 13 December 2017 ("**Listing Date**"). There has been no change in the capital structure of the Group since the Listing Date and up to the date of this report.

COMMITMENTS

The capital commitments outstanding as at 31 December 2017 not provided for in the financial statements were HK$1.7 million (2016: HK$91,000) for purchase of plant and machinery.

The total future minimum lease payments under non-cancellable operating leases payable within 1 year amounted to HK$10.3 million as at 31 December 2017 (2016: HK$9.0 million), while The total future minimum lease payments under non-cancellable operating leases payable after 1 year but within 5 years amounted to HK$14.7 million (2016: HK$23.3 million).

Management Discussion And Analysis

Treasury policy

The Group adopted a prudent financial management approach towards its treasury policies and maintained a healthy liquidity position throughout the reporting period. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements from time to time.

Employees and remuneration policy

As at 31 December 2017, the Group had 860 employees in total. The staff costs of the Group (including directors' emoluments, and management, administrative and operational staff costs) for the year ended 31 December 2017 were approximately HK$105.5 million (2016: HK$102.5 million).

The Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

Events after the reporting period

The Board is not aware of any events after the reporting period that requires disclosure.

ACHIEVEMENT OF BUSINESS OBJECTIVES AS COMPARED WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the achievement of business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 December 2017 and as at the date of this annual report is set out below:

Business objectives	**Implementation plans**	**Actual business progress for the year ended 31 December 2017 and as at the date of this annual report**
Improve our equipment and the level of automation	Upgrade other software and purchase accessory for machinery from time to time, so as to improve production efficiency.	Purchased one set of five-color press printing press and one set of hard-cover binding machine

Business objectives	Implementation plans	Actual business progress for the year ended 31 December 2017 and as at the date of this annual report
Expand customer base and strengthen sales and marketing coverages	Implement the following measures from time to time: — conduct site visits (through internal sales team or sales representatives) to at least ten potential international publishers and/or print brokers for business development in every calendar year; — conduct site visits (through internal sales team or sales representatives) to at least half of the top twenty customers to obtain after-sales feedback and maintain business contacts in every calendar year; — maintain and enhance our website to include more information of our printing capabilities; and — increase our exposure on the various online search platforms	Upgraded website with more information of our printing capabilities Conducted site visit to publisher, print broker and top ten customers who were based in Hong Kong and scheduled visits to more publisher, and customers Engaged one additional external sales agent for overseas market
Attract and retain top talent in the industry	Recruit one head of sales and customer services team, who will be responsible for developing clienteles of publishers as well as print brokers. The candidate shall have at least ten years of experience in business development in printing industry.	In the process of searching for suitable candidates

Management Discussion And Analysis

USE OF PROCEEDS

Based on the Offer Price of HK$0.35 per Offer Share and 200,000,000 Shares offered by the Company, the net proceeds from the Share Offer to be received by the Company, after deducting the underwriting fees and commissions and estimated expenses paid and payable by the Company in relation to the Share Offer, are approximately HK$38.2 million. Such net proceeds are intended to be or have been applied in accordance with the proposed applications as set out in the section headed "Use of Proceeds" in the Prospectus.

An analysis of the utilisation of the net proceeds from the Listing Date up to 31 December 2017 is set out below:

	Planned use of the net proceeds up to 31 December 2017 (HK$ million)	**Actual use of the net proceeds up to 31 December 2017** (HK$ million)
repaying bank loan	4.80	4.80
Total:	4.80	4.80

The business objectives, implementation plans and planned use of proceeds were based on the estimation and assumption of future market conditions made by the Group for the purpose of Listing. The actual use of proceeds was based on the Group's business operations and development.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (for the year ended 31 December 2016: Nil).

Corporate Governance Report

INTRODUCTION

Pursuant to Rule 18.44(2) of the GEM Listing Rules, the Board is pleased to present the first corporate governance report of the Company for the year ended 31 December 2017.

The Company has made continued efforts to incorporate the key elements of sound corporate governance in its management structures and internal control procedures. The Company is committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, and to ensure that affairs are conducted in accordance with applicable laws and regulations.

The Board believes that good and effective corporate governance practices are keys to obtaining and maintaining the trust of the shareholders of the Company (the "**Shareholders**") and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the Shareholders.

CORPORATE GOVERNANCE PRACTICE

The Board is responsible for performing the corporate governance duties in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules, which includes developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this report.

The Company has complied with the principles and applicable code provisions of the CG Code for the year ended 31 December 2017, except the deviation from CG Code provision A.2.1 set out below.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Lam Sam Ming ("**Mr. Lam**") is the chairman and the chief executive officer of the Company. Mr. Lam has over 35 years of experience in the printing industry. Mr. Lam established our Group through L & L in December 1992. Since then he has been in charge of the overall business strategies and operation of our Group. The Directors are of the view that it would be in the Group's best interest for Mr. Lam to continue performing the two roles in terms of effective management and business development. The Directors further believe that the balance of power and authority is adequately ensured by the operations of the Board, which comprises experienced and high-caliber individuals, with three of them being independent non-executive Directors.

Based on the above factors, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate.

Corporate Governance Report

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares (the "**Code of Conduct**"). Having made specific enquiries to all Directors, each of them has confirmed that he/she has fully complied with the required standard of dealings set out in the Code of Conduct during the year ended 31 December 2017.

BOARD OF DIRECTORS

The Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of our Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

The Directors' responsibilities include inter alias:

- To attend regular Board meetings focusing on business strategy, operational issues and financial performance;
- To approve annual budgets covering strategy, financial and business performance, key risks and opportunities;
- To monitor the quality, timeliness, relevance and reliability of internal and external reporting;
- To consider and approve the consolidated financial statements in interim reports, annual reports and announcements;
- To focus its attention on matters affecting the Company's overall strategic policies, finances and Shareholders;
- To consider dividend policy and dividend amount; and
- To review and monitor the corporate governance policies and practices of the Group to ensure compliance with the legal and regulatory requirements.

The Company has taken out director liability insurance to cover liabilities arising from legal action against the Directors.

Composition

The composition of the Board from the Listing Date up to the date of this report is set out as follows.

Executive Directors

Mr. Lam Sam Ming *(Chairman)*
Ms. Yao Yuan
Ms. Chan Sau Po

Non-executive Director

Mr. Ong Chor Wei

Independent non-executive Directors

Ms. Cheung Yin
Mr. Wong Hei Chiu
Mr. Leung Vincent Gar-Gene

Save for the spousal relationship between Mr. Lam and Ms. Yao Yuan, there is no financial, business, family or other material/relevant relationship among members of the Board.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The profile of each Director are set out in the section headed "Profile of Directors and Senior Management" of this report.

With the various experience of the executive Directors and the independent non-executive Directors (the "**INEDs**") and having regard to the nature of the Group's business, the Company recognises the benefits of having a Board with well-balanced experience and qualification to maintain a sustainable business development of the Group in long run. In recognition of the Company's commitment to a well-balanced Board, the nomination committee is entrusted to review the Company's human resources policy and recruitment process to ensure the effectiveness of the policy.

Corporate Governance Report

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Since the Listing, one board meeting were respectively held during the year ended 31 December 2017 and as at the date of this report. The individual attendance record of the Board meetings is set out as follows:

Name of Directors	**Number of Board Meetings attended/eligible to attend**
Mr. Lam Sam Ming	1/1
Ms. Yao Yuan	1/1
Ms. Chan Sau Po	1/1
Mr. Ong Chor Wei	1/1
Ms. Cheung Yin	1/1
Mr. Wong Hei Chiu	1/1
Mr. Leung Vincent Gar-Gene	1/1

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 5.05A, 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three INEDs representing at least one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. As such, there is a strong element in the Board to provide independent judgment.

In accordance with code provision A.4.1 of the Code, the Company has entered into a letter of appointment with each of the INEDs for initially a fixed term of two years commencing from the Listing Date and will continue thereafter until terminated by either party giving not less than three months' written notice to the other party.

The Company has received an annual confirmation of independence from each INED pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers the INEDs to remain independent as at the date of this report.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each executive Director has entered into a service agreement with the Company for initially a fixed term of two years commencing from the Listing Date and will continue thereafter until terminated by either party giving not less than three months' written notice to the other party.

The service agreements and/or letters of appointment of the Directors are subject to termination in accordance with their respective terms. They can be renewed in accordance with the articles of association of the Company ("**Articles**") and the applicable GEM Listing Rules.

As required under the Articles, all Directors are subject to election by the Shareholders at the first general meeting after their appointment by the board of directors. At every annual general meeting of the Company at least one-third of the Directors for the time being shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election thereat.

FUNCTIONS OF THE BOARD AND MANAGEMENT

The Board supervises the management of the business and affairs of the Company and ensures that it is managed in the best interests of the Shareholders as a whole while taking into account the interest of other stakeholders. The Board is primarily responsible for formulating the business strategy, reviewing and monitoring the business performance of the Group, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions. The Board is regularly provided with management report to give a balanced and understandable assessment of the performance, position, recent development and prospect of the Group in sufficient details.

The Board is also responsible for the corporate governance functions under code provision D.3.1 of the CG Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

DIRECTORS TRAINING AND PROFESSIONAL DEVELOPMENT

To assist the Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. The Directors also participate in continuous professional development programmes such as external seminars and forums organised by qualified professionals, to develop and refresh their knowledge as to the industry and skills in relation to their contribution to the Board.

All the Directors understand the importance of continuous professional development and are committed to participate in any suitable training to develop and refresh their knowledge and skills.

During the year ended 31 December 2017, all the Directors participated in a training seminar regarding director's responsibilities and duties by the Company's legal advisers to ensure that he/she has appropriate understanding of his/her responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements. Such training seminar was related to corporate governance, connected transactions and directors' continuing obligations.

The Company has maintained the training record in respect of each Director. There are also arrangements in place for providing continuing briefing and professional development to Directors by the Company whenever necessary.

BOARD COMMITTEES

The Board has established four Board committees, namely, the audit committee, the remuneration committee, the nomination committee and the risk management committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with respective written terms of reference. All the Board committees should report to the Board on their decisions and works. The practices, procedures and arrangements of conduct of committee meetings follow in line with, so far as practicable, those of the Board meetings and the respective terms of reference of the committees.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

Audit Committee

The audit committee was established on 15 November 2017 with its written terms of reference in compliance with the CG Code. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance.

The audit committee consists of three members, being Ms. Cheung Yin (Chairman), Mr. Wong Hei Chiu and Mr. Leung Vincent Gar-Gene.

Upon Listing and up to the date of this report, one audit committee meeting was held on 29 March 2018. The individual attendance record of the meetings of the audit committee is set out as follows:

Name of Directors	Number of meetings of the audit committee attended/eligible to attend
Ms. Cheung Yin *(Chairman)*	1/1
Mr. Wong Hei Chiu	1/1
Mr. Leung Vincent Gar-Gene	1/1

During the meeting, the audit committee reviewed (i) the Group's audited consolidated financial statements for the year ended 31 December 2017, with a recommendation to the Board for approval; (ii) the Group's financing and accounting policies; and (iii) the Group's internal control system and risk management functions.

Remuneration Committee

The remuneration committee was established on 15 November 2017 with its written terms of reference in compliance with the CG Code. The primary duties of the remuneration committee are to make recommendations to the Board on the remuneration of all Directors and senior management and determine, with delegated responsibilities, the remuneration package of individual Director and senior management.

The remuneration committee consists of three members, being Mr. Wong Hei Chiu (Chairman), Ms. Cheung Yin and Mr. Lam Sam Ming.

Upon Listing and as at the date of this report, one remuneration committee meeting was held on 29 March 2018.

The Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

Nomination Committee

The nomination committee was established on 31 December 2017 with its written terms of reference in compliance with the code provisions of the CG Code. The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

The nomination committee consists of three members, being Mr. Lam Sam Ming (Chairman), Mr. Wong Hei Chiu and Ms. Cheung Yin.

Upon Listing and as at the date of this report, one nomination committee meeting has been held on 29 March 2018.

Risk Management Committee

The risk management committee on 15 November 2017 with its written terms of reference by reference to the code provisions of the CG Code. The primary duties of the risk management committee are to assist the Board in overseeing the Group's compliance with laws and regulations relevant to its business operations and to review the effectiveness of the Group's regulatory compliance procedures and system.

The risk management committee consists of three members, being Mr. Lam Sam Ming (Chairman), Ms. Chan Sau Po and Ms. Yao Yuan.

Upon Listing and as at the date of this report, one risk management committee meeting has been held on 29 March 2018.

INTERNAL CONTROLS AND RISK ASSESSMENT

The Board is responsible for the Group's internal control and has conducted a review of the effectiveness of the internal control of the Group, including financial, operational and compliance controls and risk management functions. There revealed no material inadequacy of internal controls and that the Board has played regard to risk management in the decision-making process.

There being no internal audit unit as the Board does not perceive the cost efficiency to set up one at the present scale of operations of the Company, the Board has invested resources to enhance the internal control system and to take active steps in addressing the recommendation of the internal control system review in the management letter from the external auditors during the audit process.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

All Directors acknowledge their responsibilities to prepare the Group's consolidated financial statements for the year ended 31 December 2017 to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The responsibilities of the external auditors about their financial reporting are set out in the independent auditor's report attached to the Company's consolidated financial statements for the year ended 31 December 2017 in this report.

AUDITOR'S REMUNERATION

The remuneration paid to Crowe Horwath (HK) CPA Limited, the external auditor of the Company, in respect of the audit and non-audit services related to Listing amounted to HK$3,660,000.

During the year ended 31 December 2017, the Company engaged Crowe Horwath (HK) CPA Limited as the external auditor. The fees in respect of audit services and professional expenses related to Listing provided by Crowe Horwath (HK) CPA Limited for the year ended 31 December 2017 amounted to HK$1,000,000 and HK$2,660,000, respectively.

COMPANY SECRETARY

Mr. Ho Tai Wai David, was appointed by the Board as the company secretary of the Company on 8 September 2016. The biographical details of Mr. Ho are set out in the section headed "Profile of Directors and Senior Management" of this report. Mr. Ho is principally responsible for company secretarial matters.

Mr. Ho had confirmed that he had taken no less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules during the year ended 31 December 2017.

SHAREHOLDERS' RIGHT

Convening of Extraordinary General Meeting on Requisition by Shareholders

Pursuant to Article 74 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting ("**EGM**"). EGMs shall also be convened on the requisition of one or more Shareholders in accordance with Companies Ordinance (Cap 622, Laws of Hong Kong), which provides (1) the members of a company may request the directors to call a general meeting of the company; (2) the directors are required to call a general meeting if the company has received requests to do so from members of the company representing at least 5% of the total voting rights of all the members having a right to vote at general meetings; (3) a request (a) must state the general nature of the business to be dealt with at the meeting; and (b) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting; and (4) requests may consist of several documents in like form; and (5) a request (a) may be sent to the company in hard copy form or in electronic form; and (b) must be authenticated by the person or persons making it.

Right to put enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

Procedure for shareholders to put forward proposals at shareholders' meetings

The Companies Ordinance provides that, a company must give notice of a resolution if it has received requests that it do so from: (a) the members of the company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate.

The Companies Ordinance also provides that, the request (a) may be sent to the company in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the company not later than (i) 6 weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting.

All request shall be sent to the principal place of business of the Company in Hong Kong or by e-mail to **rainbow@prosperous-printing.com** for the attention of the Company Secretary

Corporate Governance Report

INVESTOR RELATIONS

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities in accordance with GEM Listing Rules.

The Company's annual and interim reports and circulars are printed and sent to all Shareholders.

Moreover, announcements, circulars, publications and press releases of the Company are published on the Company's website **(www.prosperous-printing-group.com.hk.)**. The Company's website disseminates corporate information and other relevant financial and non-financial information electronically on a timely basis.

The Company acknowledges that general meetings are good communication channel with Shareholders and the Directors and the members of the Board committees are encouraged to attend and answer questions raised by Shareholders at the general meetings.

The Company is committed to promoting and maintaining effective communication with Shareholders and other stakeholders. The Board is committed to ensuring that the Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company so as to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders to engage actively with the Company.

From the Listing Date to 31 December 2017, there had been no change in the Company's constitutional documents.

Directors' Report

The Board hereby present the Directors' report and the consolidated financial statements for the year ended 31 December 2017.

LISTING ON GEM

The Company was incorporated as a limited liability company in Hong Kong on 23 December 1992.

The Company became the holding company of the Group upon the completion of the corporate reorganisation (the "**Reorganisation**"), details of which are set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

The shares of the Company (the "**Shares**") were listed on the GEM on 13 December 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in the provision of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the U.S., U.K., Australia and Europe (excluding U.K.). The Group's products comprise mainly books and other paper-related products. The two production sites were the Shenzhen Factory and the Hong Kong Factory. Each of these factories is a self-functioning printing and production arm of the Group, and they share the printing workload allocated by the Group's management.

For the development, performance or position of the Group's business, details are set out in the section headed "Chairman's Statement" and the section headed "Management Discussion and Analysis" of this report.

For the principal financial risks and uncertainties facing the Company, details are set out in note 28 to the consolidated financial statements in this report.

(A) Environmental policies and performance

The Board is aware that addressing environmental concerns is an important issue for contributing to the continuous development of society (along with the business activities of the Company).

An environmental policy and manual of procedures have been effective upon Listing which demonstrates the Group's commitment to environmental protection. All staff, subcontractors and suppliers are required to diligently implement the policy and the manual, which will be reviewed regularly in light of experience, feedback from staff, business development, current legislations and regulations.

(B) Compliance with laws and regulations

To the best knowledge and belief of the Directors, the Group's operation in Hong Kong has complied with the applicable laws and regulations in all material respects during the year ended 31 December 2017, and up to the date of this report.

(C) Key relationships with employees, customers and suppliers

The Directors are of the view that the Company has maintained good relationship with its employees, customers, suppliers and bankers.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 are presented in the consolidated statement of profit or loss and other comprehensive income of this report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017.

SUMMARY FINANCIAL INFORMATION

A summary of the results and the assets and liabilities of the Group, as extracted from the Prospectus and the consolidated financial statements of the Company for the years ended 31 December 2014, 2015, 2016 and 2017 are set out in this report

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by our Group during the year ended 31 December 2017 are set out in note 30 to the consolidated financial statements in this report comprising (i) directors and senior management remuneration; and (ii) a partnership ("Partnership") in which Mr. Lam and Ms. Yao hold interest, has granted to the Company an exclusive right ("Licences' Usage Right") to use the vehicles licences free of change, while our Company has granted to Ms. Yao and Mr. Lam, in their capacities as the partners of the Partnership, a non-exclusive licence to use the names "Prosperous" or "萬里" (whether used individually or together) for the Partnership (the "Names' Usage Right"). Our Directors (including our independent non-executive Directors) are of the view that the transactions are on normal commercial terms or better:

- the granting to Ms. Yao and Mr. Lam, in their capacities as the partners of the Partnership, the Names' Usage Right for the sole purpose of holding the Vehicle Licences in return for the granting to our Company Licences' Usage Right is part and parcel of the reciprocal arrangement contemplated;

- Ms. Yao and Mr. Lam, in their capacities as the partners of the Partnership agreed to grant to our Group the Licences' Usage Right without charging any fee and only in consideration of our Company granting them, in their capacities as the partners of the Partnership, the Names' Usage Right; and

- Ms. Yao and Mr. Lam, in their capacities as the partners of the Partnership, have collectively and individually undertaken to our Group that they will not use the names "Prosperous" or "萬里" or other similar names except for holding the Vehicle Licences.

For details, please refer to the section headed "Connected Transactions — Exempt Continuing Connected Transactions" in the Prospectus.

All these transactions are fully exempt from the reporting announcement, independent shareholders' approval, annual review and all other relevant disclosure requirements under Chapter 20 of the GEM Listing Rules.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2017 are set out in note 26(c) to the consolidated financial statements in this report.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 15 November 2017, the terms of which are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

A summary of the Scheme is set out below:

(a) Purpose of the Share Option Scheme

The purpose of the Scheme is to provide additional incentive to any eligible persons of the Group and to promote the success of the Group's business.

(b) Participants

The Board may, at its absolute discretion and on such terms as it may think fit, invite any eligible persons to join the Scheme.

(c) Total number of Shares available for issue under the Scheme

The maximum number of Shares in respect of which options may be granted under the Scheme must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. i.e. a total of 80,000,000 Shares representing 10% of the issued share capital of the Company as at the date of this report.

(d) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of share options in excess of this limit must be separately approved by Shareholders in general meeting.

(e) Period within which the securities must be taken up under an option

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant.

(f) Minimum period for which an option must be held before exercise

The Board may in its absolute discretion set a minimum period for which an option must be held before an option can be exercised.

(g) Time of acceptance and the amount payable on acceptance of the option

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.

(h) Basis of determining the exercise price

The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

(i) Remaining life of the Scheme

The Scheme will remain in force for a period of ten years commencing on 24 September 2016 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by Shareholders in general meeting.

No share option has been granted or exercised under the Scheme during the year ended 31 December 2017. No share option was outstanding as at 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the year ended 31 December 2017.

DEBENTURE

No debenture was issued by the Company during the year ended 31 December 2017.

EQUITY-LINKED AGREEMENT

Save as the Scheme, no equity-linked agreement was entered into by the Company or subsisted during the year ended 31 December 2017 which (a) will or may result in the Company issuing Shares; or (b) requires the Company to enter into an agreement that will or may result in the Company issuing Shares.

DONATION

The Group has not made any charitable donation of not less than HK$10,000 during the year ended 31 December 2017.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, each Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

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

Directors' Report

DISCLOSURE OF INTERESTS

(a) Interests and/or short positions of Directors in the Shares, underlying shares or debentures of our Company and its associated corporations

Immediately following completion of the Share Offer (but without taking into account any Shares falling to be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), our Directors will have the following interests and/or short positions in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, will be required to be notified to our Company and the Stock Exchange once the Shares are listed:

(i) Interests in our Company

Name of Director	Capacity	Number of Shares *(Note 1)*	Percentage of interest in our Company
Mr. Lam *(Note 2)*	Interest of controlled corporation	480,000,000 (L)	60%
Ms. Yao *(Note 3)*	Interest of spouse	480,000,000 (L)	60%

Notes:

1. The letter "L" denotes the person's long positions in the Shares.

2. These 480,000,000 Shares are held by First Tech, which is wholly and beneficially owned by Mr. Lam. As such, Mr. Lam is deemed to be interested in these 480,000,000 Shares under the SFO upon the Listing.

3. Ms. Yao is the spouse of Mr. Lam. Under the SFO, Ms. Yao is deemed to be interested in the same number of Shares in which Mr. Lam is interested.

Mr. Ong Chor Wei, our non-executive Director, is also a director of a Singapore listed company, Net Pacific Financial Holdings Limited. According to the annual report of Net Pacific Financial Holdings Limited dated 31 March 2017, Mr. Ong Chor Wei is deemed to be interested in the shares held by Quad Sky Limited by virtue of him owning 100% of the equity interest in Head Quator Limited which in turn owns 50% of the equity interest in Quad Sky Limited, which owns approximately 10.22% of the issued share capital of Net Pacific Financial Holdings Limited. Together with the 0.60% of the issued share capital of Net Pacific Financial Holdings Limited directly owned by him, Mr. Ong Chor Wei has an approximately 10.82% deemed interest in the issued share capital of Net Pacific Financial Holdings Limited. Net Pacific Financial Holdings Limited wholly-owns Net Pacific Finance Group Limited.

Net Pacific Finance Group Limited has subscribed for 10,000,000 class A shares in Fine Time. Holders of class A shares in Fine Time do not have voting rights at general meetings of Fine Time but all shareholders of Fine Time share the profits and risks of Fine Time according to their respective total contribution in debt and equity to Fine Time. As Net Pacific Finance Group Limited contributed HK$10,000,000 out of the total debt and equity contribution received by Fine Time of HK$22,000,000, Net Pacific Finance Group Limited holds 45.4% of the economic interest in Fine Time. However, Net Pacific Finance Group Limited does not hold any voting rights in Fine Time and accordingly, Net Pacific Finance Group Limited is not the controlling shareholder of Fine Time.

(ii) Interests in associated corporation of our Company

Name of Director	Name of associated corporation	Capacity	Number of shares held	Percentage of shareholding interest
Mr. Lam	First Tech	Beneficial owner	50,000	100%

Save as disclosed above, immediately following completion of the Share Offer (but without taking into account any Shares falling to be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), none of our Directors will have any interests and/or short position in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors.

(b) **Interests and/or short position of substantial shareholders in the Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO**

So far as is known to our Directors, immediately following the completion of the Share Offer (but without taking into account any Shares falling to be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), the following persons (not being a Director or chief executive of our Company) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the total number of issued Shares of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

Name of substantial shareholder	**Capacity**	**Number of Shares** *(Note 1)*	**Percentage of interest in our Company**
First Tech *(Note 2)*	Beneficial owner	480,000,000 (L)	60%
Fine Time *(Note 3)*	Beneficial owner	120,000,000 (L)	15%

Notes:

1. The letter "L" denotes the person's long positions in the Shares.

2. First Tech is a company incorporated in the BVI which is wholly and beneficially owned by Mr. Lam, an executive Director.

3. For information regarding the shareholding structure of Fine Time, please refer to the sub-section headed "*History, Reorganisation and Corporate Structure — Pre-IPO Investment — Information regarding Fine Time*" in the Prospectus.

Save as disclosed above, so far as is known to our Directors, immediately following completion of the Share Offer (but without taking into account any Shares falling to be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), there are no other person (not being a Director or chief executive of our Company) who will have an interest or a short position in the Shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the voting power at general meetings or any other members of our Group.

DIRECTORS AND THEIR SERVICE AGREEMENTS

The composition of the Board from the Listing Date up to the date of this report is set out as follows.

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Sam Ming *(Chairman)*
Ms. Yao Yuan
Ms. Chan Sau Po

Non-executive Director

Mr. Ong Chor Wei

Independent non-executive Directors

Ms. Cheung Yin
Mr. Wong Hei Chiu
Mr. Leung Vincent Gar-Gene

Each Director has entered into a service agreement or letter of appointment with the Company for initially a fixed term of two years commencing from the Listing Date and will continue thereafter until terminated by either party giving not less than three months' written notice to the other party.

Biography details of the Directors are set out in the section headed "Profile of Directors and Senior Management" of this report.

The Company has received an annual confirmation of independence from each INED pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers the INEDs to remain independent as at the date of this report.

None of the Directors has entered into any service agreement with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

EMOLUMENT OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emolument of the Directors and the five highest paid individuals of the Group are set out in notes 8 and 9 to the consolidated financial statements in this report.

EMOLUMENT POLICY

The remuneration committee of the Board will make recommendations on the remuneration of the Directors and senior management and to recommend members of the Board and determine, with delegated responsibilities, the remuneration package of individual Director and senior management. The remuneration committee regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

Save as the transactions set out in note 30 to the consolidated financial statements in this report, the Group has not entered into any transaction, arrangement or contract that is significant in relation to the Group's business to which any of member of the Group was a party and in which a Director or a connected entity of that Director had, directly or indirectly, a material interest.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Other than members of the Group, none of the Directors or their respective close associates (as defined in the GEM Listing Rules) has interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

INTEREST OF CONTROLLING SHAREHOLDERS

Save as disclosed in this report, the Directors are not aware of any business or interest of the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 December 2017.

NON-COMPETITION UNDERTAKING

Each of Controlling Shareholders (together the "**Covenantors**") entered into a deed of non-competition in favour of the Group (the "**Deed of Non-competition**") on 15 November 2017, details of which are set out in the section headed "Relationship with Our Controlling Shareholders — Deed of non-competition" in the Prospectus.

The Company received from each of the Covenantors an annual confirmation on their respective compliance of the non-competition undertaking under the Deed of Non-competition. The INEDs have reviewed the compliance of such undertaking and evaluated the effective implementation of the Deed of Non-competition, and they were satisfied with the Covenantors' compliance with their undertaking for the year ended 31 December 2017.

MANAGEMENT CONTRACT

During the year ended 31 December 2017, neither the Company nor its subsidiaries has entered into a contract by which (a) a person undertakes the management and administration of the whole or any substantial part of the business of the Company; and (b) the contract is not a contract of service with any Director or any person engaged in the full-time employment of the Company.

MAJOR CUSTOMERS

For the year ended 31 December 2017, the Group's five largest customers accounted for approximately 52.1% of the total revenue of the Group and the largest customer of the Group accounted for approximately 25.7% of the total revenue.

To the best of the knowledge of the Directors, none of the Directors or any of their respective close associates, or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers.

MAJOR SUPPLIERS

For the year ended 31 December 2017, the Group's five largest suppliers, one of which is our sub-contractor, accounted for approximately 33.6% of the cost of sales of the Group and the largest supplier of the Group accounted for approximately 9.9% of the cost of sales.

To the best of the knowledge of the Directors, none of the Directors or any of their respective close associates, or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest suppliers.

CORPORATE GOVERNANCE

The corporate governance report of the Company for the year ended 31 December 2017 is set out of this report.

INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Kingsway Capital Limited ("Kingsway"), as at 31 December 2017, save as (1) Kingsway's participation as the sole sponsor in relation to the Listing; (2) Kingsway's affiliated company, Kingsway Financial Services Group Limited as one of the joint bookrunners and joint lead managers in relation to the Listing; and (3) the compliance adviser agreement entered into between the Company and Kingsway Capital Limited, neither Kingsway nor its directors, employees or associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the public float of the Company's issued securities is sufficient with at least 25% held by the public.

DISTRIBUTABLE RESERVES

At 31 December 2017, the Company's reserves available for distribution to its Shareholders, calculated in accordance with the laws of Hong Kong, amounted to approximately HK$81 million.

Directors' Report

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2017 have been audited by Crowe Horwath (HK) CPA Limited ("**CH**"). CH will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting (the "**AGM**") of the Company. A resolution for their re-appointment as the auditor of the Company will be proposed at the AGM.

The financial statements of the Company for the year ended 31 December 2016 was audited by David Ho & Company. The financial statements of the Company for the year ended 31 December 2017 was audited by CH.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any events after the reporting period that requires disclosure.

Mr. Lam Sam Ming
Chairman

Hong Kong, 29 March 2018

Environmental, Social And Governance Report

INTRODUCTION

Prosperous Printing Company Limited (the "Company") and its subsidiaries (the "Group") are committed to promoting sustainable development and social responsibility, which is important to create long-term value for the Group's shareholders, employees and other stakeholders. The Group strives to provide employees with a safe and healthy working environment as well as talent training and development. This report covers environmental, social and governance matters of the Group for the year commencing on 1 January 2017 to 31 December 2017 ("Reporting Period").

The Group is a provider of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the U.S., U.K., Australia and Europe (excluding U.K.). The Group's products comprise mainly books and other paper-related products. Paper and ink are the principal raw materials.

This environmental, social and governance report has been prepared in compliance with the Environmental, Social and Governance Reporting Guide set out in Appendix 20 to the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules").

This report provides information related to the business activities of the manufacturing sites and warehouse facilities directly controlled by the Group. Data from our customers or suppliers are not included as such data is difficult to verify with available resources.

We believe that understanding the views of our stakeholders lays a solid foundation to the long-term growth and success of the Group. We develop multiple channels to a broad spectrum of stakeholders in order to provide them with the opportunity to express their views on our sustainability performance and future strategies. To reinforce mutual trust and respect, we are committed to maintaining enduring communication channels, both formally and informally, with stakeholders to enable us to better shape our business strategies in order to respond to their needs and expectations, anticipate risks and strengthen key relationships. We have identified employees, customers, suppliers, business partners, shareholders, government and the community at large as our key stakeholder groups. The information collected through different communication processes serves as an underlying basis for the structure of this ESG Report.

A. Environment

Environmental protection is one of the Group's core concerns. Procedures have been established to control emissions, wastewater and waste gases.

As a part of our social responsibility, we are committed to environmental-friendly development through rational resources utilization and practices of environmental protection, seeking to contribute to the improvement of ecological environment and sustainable development.

Our printing operations are subject to various environmental rules and regulations, for example, PRC Environmental Protection Law《(中華人民共和國環境保護法》), PRC Law on Appraisal of Environment Impact (《中華人民共和國環境影響評價法》), Waste Disposal Ordinance (Chapter 354 of the Laws of

Hong Kong), Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) and Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong).

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste during the Reporting Period.

A.1 Emissions

Our greenhouse gas emissions are primarily from fuel used in production and purchased electricity for factories and offices. There are other indirect emissions generated, for example, purchased paper, purchased print plates, paper waste and business travelling.

During the offset printing process, chemically tainted waste water is also released through washing of the printing plates in the prepress production and the cleaning of ink rollers from the printing machines. In the ink application process, there are certain Volatile Organic Compounds ("VOC") emission such as benzene, methylbenzene, xylene and NMHC. We also obtained a verification report of the organization's greenhouse gas emissions (「組織溫室氣體排放核查報告」) for our factory in Shen Zhen in April 2017.

There are written policies established and implemented in handling wastes. Our hazardous waste produced mainly consists of chemically tainted waste released water during the production process. Non-hazardous waste includes general household and industrial waste. Recyclable waste mainly consists of scrap paper and used printing plates. All hazardous and non-hazardous wastes are stored separately, with recyclable and non-recyclable wastes handled and collected by approved licensed contractors.

Policies and procedures are also in place to monitor the discharge of waste waters from each site. For example:

— Our Site Operations Managers would ensure that all drains are known and recorded. The locations of the final discharge from the site shall be defined and accessible. Points of access to the drains shall be clearly marked to discourage inappropriate discharge.

— Our Department Managers would ensure that employees and nominated contractors are instructed about the nature and responsible control of drains to avoid the risk of inappropriate discharges.

— The waste waters generated from printing production would be processed and then collected by external organization for appropriate discharge.

A.2 Consumption of Resources

Our Group aims at promoting our brands as environmentally responsible brand names. We have strived to create a corporate image of being environmentally friendly by following the international environmental practices created by the Forest Stewardship Council. We have obtained "FSC Standard for Chain-of-Custody Certification". With such certifications, we are qualified to apply the FSC label on our products when certain prescribed criteria are met. The FSC label, when applied, provides a credible guarantee to our customers, including end consumers, that our products originate from well-managed forests, controlled sources, reclaimed materials, or a mixture of these.

Reducing fossil fuel usage

Wastes caused by production are sent to heat center as pellet fuel. It can reduce fossil fuel usage and improve energy efficiency. The pellet fuel can extend the service life of the boiler. Moreover, the pellet fuel does not contain sulfur, which is environmentally friendly.

The Group promotes electronic communication, holding cross-territory meetings in the form of tele-conference instead of physical meeting to reduce fuel consumption arising from traveling.

Paper reduction

The Group actively encouraged its employees to reduce the use of paper. We have adopted the practice of double sided printing, writing on both sides of paper, and reusing stationary such as envelope and file folder.

Water conservation

We have adopted effective water-saving production methods and instruments. The factory of the Group is equipped with a sewage treatment system to improve circulating use of water and reduce water waste by recycling the processed water for toilet flushing use.

We put up water conservation slogans and encourage our employees to use water reasonably to reduce water consumption.

A3. The Environment and Natural Resources

We commit to reduce the impact to the environment and continually improve the environmental performance as an integral and fundamental part of the business strategy and operating methods, as well as to comply with relevant government policy and environmental legislation. Our factory in Shen Zhen has an open area with flowers and grass on the roof to provide the workers a green environment.

Computer to plate ("CTP")

We use CTP imaging technology in our printing process that removes the use of traditional film and associated chemicals from the prepress process.

Vegetable-soy based inks

The older style printing inks are mineral/solvent based and aside from not being a renewable source, contribute to ever growing greenhouse gas emissions. We managed to use vegetable-soy based inks in most of our printing plants which are less harmful to the environment than petroleum-based counterparts.

Digital printing

Apart from the conventional offset printing equipment, we use a number of digital printing machines in our production plants in Hong Kong and the PRC. Despite the advantage of quick turnaround, digital printing is more environmentally friendly by eliminating the chemically tainted wastewater during the offset printing process.

Set out below are further measures in respect of energy saving, carbon reduction and waste management, implemented by the Group:

Electricity control

— Monitor and report energy usage in management meetings

— Benchmark energy usage against previous results

— Establish mechanisms to verify the efficiency of electrical distribution systems

— Deploy natural light, energy-saving lightings or LED lighting, where feasible

— Clean the air filter of air-conditioners regularly to improve cool air flow efficiency

— Switch off unnecessary lighting and energy consumed equipment while not in use

Water control

— Benchmark water usage comparing to previous years' results both on a quarterly and trend basis

— Keep abreast of best practice solutions and submit any appropriate information to the management for consideration in reducing water consumption

— Dual-flush toilet has been installed in most sites and these technology-savvy toilets are great to promote water conservation

Wastes reduction

— The leftover papers and aluminum printing plates were collected, labeled and stored for collection by recycling professionals

— Timber pallets are on a reuse system with very few going to waste

— Manage waste generated from our business operations according to the principles of reduction, reuse and recycling

— We have established environmental guidelines on how to handle waste paper, all waste paper should be stored in the "paper cage" and labeled and recycled daily by the administrative department

The overview of energy and water consumption for the Reporting Period was disclosed as below:

	Unit	**Year 2017**
Electricity	kWh	approximately 14 million
Natural gas	Mj	Nil
Liquefied petroleum gas ("LPG")	Litres	Nil
Water	m3	approximately 118,000

We will continue to look for opportunities to reduce further emissions and wastes on an ongoing basis in order to minimize the Group's impacts of activities on the environment and natural resources.

B. Social

B1. Employment

Employees are regarded as valuable assets and competitive advantages. Employees will be recognized and rewarded by their skills, contribution and work performance. The Group is committed to providing employees with a good working environment and fostering and individual development.

The Group complies with the Labour Law of the PRC and Hong Kong, the Implementing Regulations of the Labour Contract Law of the PRC, Regulations on Paid Annual Leave for Employees, PRC Social Insurance Law and Employment Ordinance (Laws of Hong Kong) and other relevant laws and regulations.

We provide social insurance, including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to our employees in the PRC according to PRC Social Insurance Law and MPF according to laws of Hong Kong. The Group adopts an 8-hour working system and voluntary overtime. In addition, the Group prohibits employee to work on a technical task before the relevant employee has received adequate training to safeguard employees' safety.

Recruitment and promotion

The human resources department of the Group has developed a comprehensive recruitment and promotion system. The recruitment and promotion should be fair and cannot be affected by race, color, gender, ethnic tradition, religion, nationality, marital status or family status.

We emphasize equal competition and open recruitment and prioritise internal promotion of suitable candidates over external candidates.

Each department will review its human resources needs on a regular basis by analyzing the annual objectives of the department, the project tasks, the workload of the departmental staff. When a need to hire an additional employee is identified, the relevant department will provide the job description for recruitment purposes.

While the relevant department is responsible for evaluating the adequacy of professional/technical skills of candidates for the position sought to be filled, it will consult with the human resources department on remuneration package to ensure that employees across different departments of the Group are fairly remunerated.

Rest periods

The employees of the Group can enjoy statutory holidays, maternity leave, annual leave and work-injury leave.

Salary and Benefits

The Group offers salary and benefits to the employees according to market standard, individual performance, knowledge and job requirement. Employees' compensation consists of basic salary, subsidies and bonuses, which is adjusted regularly. We conduct appraisal of the performance of selected the employees of the Group and review the remuneration of the employees annually. In addition, the Group provides certain employees with rental subsidy, phone subsidy and subsidy for meal.

Dismissal

The Group has established policy to prevent unfair dismissal. An employee cannot be dismissed when she has been confirmed pregnant or after she has given notice of pregnancy. An employee cannot be dismissed when he or she takes a paid sick leave. Each employee that tenders resignation will be interviewed by the human resources department to ascertain the reason for leaving the Group. The dismissed employee shall be given due notice or wages in lieu of notice, and the notice should not be given during his or her annual leave and maternity leave.

B2. Health and Safety

The Group is committed to providing employees with a healthy and safe working environment. We require the relevant employees to wear masks, earplugs, gloves and other protective equipment in accordance with the relevant laws and regulations.

Our factory is equipped with first aid kits, and the Group has adopted emergency procedures to send the employee to hospital in the event of an accident.

No major accident occurred during the Reporting Period except for a fatal accident. For details, please refer to the sub-section headed "Business — Health, Work Safety, and Environmental Matters — Occupational health and safety — Material workplace accident — Views of our Directors and the Sole Sponsor" in the Prospectus.

B3. Development and training

Talent development is an important part of the Group human resource strategy. We believe knowledgeable employees who are capable to meet the demands of a dynamic market is essential to the success of the business. The Group provides the employees with effective training and has developed a clear promotion ladder. The types of training provided by the Group include on-the-job training, operation training, management training and job rotation.

B4. Labour Standards

The Group complies with labor law, and laws and regulations relating to the elimination of the use of child labor, the abolition of all types of forced or compelled labor or workplace discrimination. We tolerate no discrimination against any employee based on race, color, gender, ethnic tradition, religion, nationality, marital status, family status and other factors. The strict recruitment system ensures employees who are hired must be at least 18 years of age. The human resources department of the Group has adopted strict procedures to verify the identity of the employees, including checking personal identification, driver's licence and household register issued by government authorities.

B5. Supply-chain Management

The main raw materials used by the Group include paper, ink, printing plates and chemical glue. Paper, however, is the Group's principal raw material. Purchase requisitions are placed with paper vendors based on sales forecasts and orders which are developed with the Group's customers. The Group mainly purchases paper from paper manufacturers or trading companies in Hong Kong and PRC. The Group endeavours to work with Forest Stewardship Council/chain of custody ("CoC") certified paper suppliers to ensure that paper purchased and used in the production of books for its customers are in compliance with all standards of environmental care and social responsibility as required by customers. In addition, suppliers are typically reviewed for their financial stability before they are accepted by the Group as a constant supplier.

We are committed to developing and maintaining effective and mutually beneficial working relationships with our supply chains. We perform annual assessment on our suppliers and if a supplier is found to be violating our Group's policy or contractual requirements, we will suspend using the supplier until the situation is improved.

Furthermore, environmental criteria are taken into account in the procurement of goods and services and the code of conduct is observed for our major suppliers.

B6. Product Responsibility

We are committed to supplying quality books and printed products and providing quality services that consistently meet or even exceed its customers' expectations. Quality management system is used to ensure the product quality and we have received a number of certifications, including ISO9001, ISO14001, Certification of Compliance with the Code of Business Practice of International Council of Toy Industries (ICTI) and G7 Master Qualification. Under the quality management system, quality assurance is performed to examine the product's quality against the acceptance quality level standard at every stage of the production process. Incoming raw materials, such as paper and ink, are periodically tested against customers' technical specifications. Colours are matched against the customer's approved blue print and colour proof. Finished goods undergo a number of tests and visual inspections, before packaging and delivery to ensure the exact specifications of the customers are met. We have also maintained a professional customer services team with high service standard to ensure responsiveness to clients' needs. By implementing the highest level of standard on quality management, we provide not only excellent products, but also safe and secured products to our customers.

B7. Anti-corruption

The Group is committed to establishing and enhancing the internal control system to prevent corruption and fraud.

The Group has established a fair and honest report platform to encourage reporting of corruption and fraud. The relevant procedures are clearly set out in the employee handbook.

During the Reporting Period, the Group complied with all relevant laws and regulations relating to bribery, extortion, fraud and money laundering.

B8. Investing in Community

The Group did not participate in significant community investment since its listing on 13 December 2017 up to 31 December 2017, but will strive to operate as a responsible corporate and continually support the economic and social vitality of local communities.

Corporate Governance Practices

The Board and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. Since the Listing on the GEM of The Stock Exchange of Hong Kong Limited, the Group has strived to attain and uphold more rigorous standards of corporate governance. For such purpose, the Board has adopted the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. Details of which can be referred to the Corporate Governance Report included in the 2017 Annual Report of the Company.

Independent Auditor's Report

TO THE MEMBERS OF PROSPEROUS PRINTING COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Prosperous Printing Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 58 to 147, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Revenue recognition on sales of goods

Refer to Note 4(a) to the consolidated financial statements and the accounting policies on page 79.

The Key Audit Matter	How the matter was addressed in our audit
The Group's revenue is mainly derived from the sales of books and paper products. The Group generally recognises revenue when products are delivered to the customer's premises for domestic sales or in accordance with the terms and conditions of sales contracts for export sales. The terms set out in the Group's sales contracts relating to goods acceptance by customers are varied. Accordingly, the terms and conditions of sales contracts may affect the timing of recognition of sales to customers as each sales contract could have different terms relating to customer acceptance of the goods sold. We have identified revenue recognition on sales of goods as a key audit matter because the huge volume of revenue transactions generated in various locations and from many customers, and thus significant time and resource were devoted in this area.	Our audit procedures to assess the recognition of revenue arising from sales of goods included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the recognition of revenue; • inspecting significant new sales contracts entered into during the year to obtain an understanding of the contract terms, in particular, those relevant to the timing and quantum of revenue recognition with reference to the Group's revenue recognition accounting policies; • requesting confirmations from the Group's customers, on a sample basis, to confirm the sales transaction amounts during the reporting period and investigating the reasons for any differences between the amounts confirmed and the amounts in the Group's accounting records by discussion with management and inquiry with related customers; for unreturned confirmations, we inspected the entire population of the sales transactions with the related customers by comparing the details with underlying sales invoices, sales contracts and relevant documentation evidencing the date of delivery and acceptance of the goods, such as bills of lading, shipping documents, proof of delivery and proof of acceptance;

Independent Auditor's Report

The Key Audit Matter	How the matter was addressed in our audit
	• selecting a sample of sales transactions recorded during the reporting period and just before and after the end of the reporting period and comparing the details with the underlying sales invoices, sales contracts and relevant documentation evidencing the date of delivery and acceptance of the goods, such as bills of lading, shipping documents, proof of delivery and proof of acceptance, to assess whether the related revenue has been recognised in the appropriate accounting period in accordance with the Group's revenue recognition accounting policies; and • scrutinising the sales ledger after the year end to identify if there were significant sales returns and inspecting the underlying documentation to assess if the related adjustments to revenue had been accounted for in the appropriate accounting period.

Assessing the recoverability of trade debtors

Refer to Notes 17 and 3(c) to the consolidated financial statements and the accounting policies on pages 71 to 72.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2017, the Group had net trade receivables amounting to HKD106,077,000 (net of allowance for doubtful debts of approximately HKD17,362,000), which represents approximately 40% of the net assets of the Group and is considered quantitatively significant to the Group. An allowance for doubtful debts of HKD321,000 has been recognised during the reporting period. In determining the allowance for doubtful debts, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade debtors. We identified assessing the recoverability of trade debtors as a key audit matter because of the significance the trade debtors balance to the consolidated statement of financial position and because the assessment of allowance for doubtful debts involves a significant degree of management judgement.	Our audit procedures to assess the recoverability of trade debtors included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and making allowances for doubtful debts; • assessing the classification of individual balances in the trade debtors ageing report by comparing the details in the trade debtors ageing report with relevant underlying documents, including payment terms as set out in the sales contracts with customers and sales invoices, on a sample basis; • challenging the basis of management's judgement about the recoverability of balances assessed individually, on a sample basis, and evaluating the allowance for doubtful debts made by management for these individual balances with reference to the ageing of overdue balances, historical and post year-end payment records and correspondence with these customers; and • inspecting cash receipts from customers subsequent to the end of the reporting period relating to trade debtors balance at 31 December 2017, on a sample basis.

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

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

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

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

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

Responsibilities of 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. The report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinances, 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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

We communicate with 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.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 29 March 2018

Yau Hok Hung
Practising Certificate Number P04911

Consolidated Statement Of Profit Or Loss

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	*4(a)*	**430,717**	386,043
Cost of sales		**(311,635)**	(260,460)
Gross profit		**119,082**	125,583
Other income	*4(c)*	**10,434**	3,507
Distribution costs		**(26,972)**	(31,848)
Administrative expenses		**(65,776)**	(60,311)
Other expenses	*5*	**(15,988)**	(10,256)
Profit from operations		**20,780**	26,675
Finance costs	*6(a)*	**(8,321)**	(8,296)
Profit before taxation	*6*	**12,459**	18,379
Income tax	*7*	**(5,929)**	(5,415)
Profit for the year		**6,530**	12,964
Attributable to:			
Equity shareholders of the Company		**6,530**	13,365
Non-controlling interests		**—**	(401)
Profit for the year		**6,530**	12,964
		HK Cents	*HK Cents*
Earnings per share	*11*		
Basic		**1.07**	2.51
Diluted		**1.07**	2.29

The notes on pages 65 to 147 form part of these financial statements.

Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Profit for the year		**6,530**	12,964
Other comprehensive income for the year, net of nil tax	*10*		
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations with functional currency other than Hong Kong dollars		**7,981**	(7,331)
Available-for-sale investments:			
Net movement in the fair value reserve		**(14)**	3
Other comprehensive income for the year, net of nil tax		**7,967**	(7,328)
Total comprehensive income for the year		**14,497**	5,636
Attributable to:			
Equity shareholders of the Company		**14,497**	6,037
Non-controlling interests		**—**	(401)
Total comprehensive income for the year		**14,497**	5,636

The notes on pages 65 to 147 form part of these financial statements.

Consolidated Statement Of Financial Position

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	*12*	**259,265**	278,931
Intangible assets	*13*	**915**	963
Available-for-sale investments	*14*	**2,573**	2,405
Investments in key management insurance policies	*15*	**8,176**	5,116
Deposits for acquisition of property, plant and equipment		**3,533**	3,233
		274,462	290,648
Current assets			
Inventories	*16*	**76,139**	52,827
Trade and other receivables	*17*	**123,204**	105,518
Pledged bank deposits	*18*	**6,763**	11,985
Cash and cash equivalents	*19*	**49,375**	4,126
		255,481	174,456
Current liabilities			
Trade and other payables	*20*	**68,660**	113,390
Derivative financial instruments	*21*	**—**	25
Bank loans and overdrafts	*22*	**138,386**	156,012
Obligations under finance leases	*23*	**2,105**	1,782
Tax payable	*25(a)*	**1,295**	9,689
		210,446	280,898
Net current assets/(liabilities)		**45,035**	(106,442)
Total assets less current liabilities		**319,497**	184,206
Non-current liabilities			
Bank loans	*22*	**41,425**	—
Obligations under finance leases	*23*	**4,893**	68
Deferred tax liabilities	*25(b)*	**4,572**	3,332
		50,890	3,400
NET ASSETS		**268,607**	180,806

	Note	2017 HK$'000	2016 HK$'000
CAPITAL AND RESERVES			
Share capital	*26(c)*	**100,843**	27,539
Reserves		**167,764**	153,267
Total equity attributable to equity shareholders of the Company		**268,607**	180,806
Non-controlling interests		**—**	—
TOTAL EQUITY		**268,607**	180,806

The consolidated financial statements on pages 58 to 147 were approved and authorised for issue by the board of directors on 29 March 2018 and were signed on its behalf by:

Lam Sam Ming	**Chan Sau Po**
Director	*Director*

The notes on pages 65 to 147 form part of these financial statements.

Consolidated Statement of Changes In Equity

For the year ended 31 December 2017

	Note	Attributable to equity shareholders of the Company							
		Share capital HK$'000	Exchange reserve HK$'000	Capital reserve HK$'000	Fair value reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2016		5,000	(3,275)	2,389	(86)	152,133	156,161	(4,459)	151,702
Changes in equity for 2016:									
Profit/(loss) for the year		—	—	—	—	13,365	13,365	(401)	12,964
Other comprehensive income for the year	*10*	—	(7,331)	—	3	—	(7,328)	—	(7,328)
Total comprehensive income for the year		—	(7,331)	—	3	13,365	6,037	(401)	5,636
Acquisition of non-controlling interest	*27(b)*	—	—	—	—	(4,860)	(4,860)	4,860	—
Issuance of convertible loan		—	—	306	—	—	306	—	306
Deemed contribution from a shareholder		—	—	1,225	—	—	1,225	—	1,225
Conversion of convertible loan		22,539	—	(602)	—	—	21,937	—	21,937
Balance at 31 December 2016 and 1 January 2017		27,539	(10,606)	3,318	(83)	160,638	180,806	—	180,806
Changes in equity for 2017:									
Profit for the year		—	—	—	—	6,530	6,530	—	6,530
Other comprehensive income for the year	*10*	—	7,981	—	(14)	—	7,967	—	7,967
Total comprehensive income for the year		—	7,981	—	(14)	6,530	14,497	—	14,497
Issuance of shares upon initial public offering		70,000	—	—	—	—	70,000	—	70,000
Listing expenses directly attributable to issuance of shares		(11,696)	—	—	—	—	(11,696)	—	(11,696)
Capital contribution from the controlling shareholder		15,000	—	—	—	—	15,000	—	15,000
Balance at 31 December 2017		100,843	(2,625)	3,318	(97)	167,168	268,607	—	268,607

The notes on pages 65 to 147 form part of these financial statements.

Consolidated Statement Of Cash Flows

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Operating activities			
Cash (used in)/generated from operations	*19(b)*	**(31,714)**	33,109
Tax paid			
PRC Enterprise Income Tax		**(7,837)**	(1,057)
Hong Kong Profits Tax		**(5,979)**	(5,071)
Tax refund			
Hong Kong Profits Tax		**—**	173
Net cash (used in)/generated from operating activities		**(45,530)**	27,154
Investing activities			
Payment for purchase of property, plant and equipment		**(2,433)**	(385)
Proceeds on disposal of property, plant and equipment		**6,809**	1,731
Payment for purchase of intangible assets		**—**	(112)
Increase in amounts due from directors		**—**	(14,822)
Decrease/(increase) in pledged bank deposits		**5,222**	(3,850)
Net cash inflow from acquisition of assets	*27*	**—**	136
Upfront payment of investments in key management insurance policies		**(3,060)**	(5,083)
Payment for deposit for acquisition of property, plant and equipment		**(300)**	(809)
Interest received		**226**	192
Dividends received		**—**	62
Net cash generated from/(used in) investing activities		**6,464**	(22,940)
Financing activities			
Proceeds form issuance of shares upon initial public offering		**70,000**	—
Capital contribution from the controlling shareholder		**15,000**	—
Payment for listing expenses attributable to issuance of shares		**(11,696)**	—
Net proceeds from issuance of convertible loans	*19(c)*	**—**	5,000
Proceeds from new bank loans	*19(c)*	**425,094**	382,521
Repayment of bank loans	*19(c)*	**(386,897)**	(393,506)
Capital elements of finance lease rentals paid	*19(c)*	**(4,529)**	(3,165)
Interest elements of finance lease rentals paid	*19(c)*	**(276)**	(176)
Interest paid	*19(c)*	**(8,045)**	(7,770)
Net cash generated from/(used in) financing activities		**98,651**	(17,096)

Consolidated Statement Of Cash Flows

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Net increase/(decrease) in cash and cash equivalents		**59,585**	(12,882)
Effects of foreign exchange rate changes		**62**	(127)
Cash and cash equivalents at 1 January		**(10,272)**	2,737
Cash and cash equivalents at 31 December	*19(a)*	**49,375**	(10,272)

Major non-cash transactions:

(a) During the year ended 31 December 2016, the Group acquired 100% equity interests together with the shareholder's loan in Super Noble Limited and Tactful Hero Limited, through BVI companies of Mr. Classic Inc. and Great China Gains Inc., from Mr. Lam Sam Ming, the director and controlling shareholder of the Company, at the considerations of approximately HK$62,178,000 and HK$71,660,000, respectively (see Note 27(a)). The considerations were off-set against the amount due from director — Mr. Lam Sam Ming.

(b) During the year ended 31 December 2016, the consideration for acquisition of non-controlling interests (see Note 27(b)) was offset against the amount due from director — Mr. Lam Sam Ming.

(c) During the year ended 31 December 2016, the entire principal amount of the convertible loan was converted into 1,250,000 ordinary shares of the Company.

The notes on pages 65 to 147 from part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017
(Expressed in Hong Kong dollars)

1. GENERAL INFORMATION

Prosperous Printing Company Limited (the "**Company**") was incorporated in Hong Kong on 23 December 1992 with limited liability under the Hong Kong Companies Ordinance. The shares of the Company have been listed on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited since 13 December 2017.

The address of the Company's registered office is 3/F., Yip Cheung Centre, 10 Fung Yip Street, Chai Wan, Hong Kong.

The Company and its subsidiaries (together referred to as the "**Group**") are principally engaged in the production and trading of books and paper products.

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 of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs which 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.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). These financial statements are presented in Hong Kong dollar ("**HKD**"), which is the Company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial instruments classified as available-for-sale investments are stated at their fair value as explained in the accounting policies set out in Note 2(e) below.

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 believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in Note 19(c) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7 *"Statement of Cash Flows": Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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 entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 2(l), (m) or (n) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in the former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Other investments in debt and equity securities

The Group'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 dividends or interest earned on these investments as these are recognised in accordance with the policies set out in Notes 2(s)(iii) and 2(s)(iv).

Dated debt securities that the Group has 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(i)).

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 market 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(i)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in Notes 2(s)(iii) and 2(s)(iv), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are recognised in profit or loss.

When the investments are derecognised or impaired (see Note 2(i)), 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(i)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, over their estimated useful lives. The principal annual rates and bases used are as follows:

Leasehold land and buildings classified as held under finance leases are depreciated over the shorter of the useful life of the buildings or the unexpired term of the land lease using the straight line method.

Plant and machinery	10% using the reducing balance method
Fixtures and furnitures	20% using the reducing balance method
Motor vehicles	20% using the reducing balance method

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Intangible assets

Intangible assets 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(i)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— Computer Software	10 years

Both the period and method of amortisation are reviewed annually.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leased assets

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

i) Classification of assets leased to the Group

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

ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 2(f). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(i). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

iii) Operating lease charges

Where the Group has the use of assets 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)

(i) Impairment of assets

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

Investments in debt and equity securities and other 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 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.

  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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (Continued)

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

— 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 debtors included within trade and other receivables, 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 debtors 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (Continued)

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 an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— intangible assets;

— deposit for acquisition of property, plant and equipment; and

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

If any such indication exists, the asset's recoverable amount is estimated.

— *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 cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) 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).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (Continued)

ii) *Impairment of other assets (Continued)*

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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.

(j) 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.

(k) 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 allowance for impairment of doubtful debts (see Note 2(i)(i)), 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 allowance for impairment of doubtful debts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Convertible loan

Convertible loan that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible loan is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the loan is converted or redeemed.

If the loan is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital as consideration for the shares issued. If the loan is redeemed, the capital reserve is released directly to retained profits.

(m) 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.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(p) 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.

ii) 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.

(q) Income tax

Income tax for the reporting period 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 reporting period, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (Continued)

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

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

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from 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 substantially 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (Continued)

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.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

ii) Provision of sub-contracting services

Revenue arising from provision of sub-contracting services is recognised when the related services are rendered.

iii) Dividend income

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Borrowings costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Related parties (Continued)

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

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 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.

(w) 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.

3. ACCOUNTING JUDGEMENTS AND ESTIMATES

Note 28 contains information about the assumptions and their risk factors relating to financial instruments. Other key sources of estimation uncertainty are as follows:

a) Impairment of property, plant and equipment

If circumstances indicate that the carrying amounts of property, plant and equipment may not be recoverable, the assets may be considered "impaired" and are tested for impairment. An impairment loss may be recognised to reduce the carrying amounts to the recoverable amount in accordance with the accounting policy for impairment of these assets as described in Note 2(i)(ii). The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of future income and operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of future income and operating costs. Changes in these estimates could have an impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

b) Useful lives, residual values and depreciation of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives, and it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future period.

3. ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

c) Impairment of trade and other receivables

The Group estimates the provision for impairment of trade and other receivables resulting from inability of the customers to make the required payments. The Group bases the estimates on the ageing of the trade and other receivables balance, customer credit-worthiness and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

d) Net realisable value of inventories

The Group performs regular review of the carrying amounts of inventories with reference to ageing analysis of the Group's inventories, projections of expected future saleability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the net realisable value of inventories declines below their carrying amount. Due to changes in technological, market and economic environment and customers' preference, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

e) Income taxes and deferred tax assets

The Group is subject to income taxes in various 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 are different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax assets and liabilities in the period in which such determinations are made.

Deferred tax assets relating to temporary differences and tax losses are recognised when management expects it is probable that future taxable profits will be available to utilise against the temporary differences or tax losses. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets in the period in which such estimates have been changed.

4. REVENUE AND SEGMENT REPORTING AND OTHER INCOME

(a) Revenue

The Group's revenue is analysed as follows:

	2017 **HK$'000**	2016 HK$'000
Revenue arising from sales of books and paper products	**412,202**	383,735
Revenue arising from provision of sub-contracting services	**18,515**	2,308
	430,717	386,043

(b) Segment reporting

HKFRS 8 "Operating Segments" requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Company's executive directors, being the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the production and sale of books and paper products.

i) Information about major customers

The Group's customer base is diversified and includes two customers (2016: one) with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2017. Revenue arising from sales of books and paper products to these customers, including sales to entities which are known to the Group to be under common control with each of these customers, for the year ended 31 December 2017 was HK$110,845,000 (2016: HK$88,966,000) and HK$46,999,000 (2016: less than 10% of the Group's revenue).

Details of concentrations of credit risk arising from these customers are set out in Note 28(a).

4. REVENUE AND SEGMENT REPORTING AND OTHER INCOME (CONTINUED)

(b) Segment reporting (Continued)

ii) Information about geographical areas

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

	Revenue from external customers		Specified non-current assets	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**213,977**	199,654	**145,380**	**150,888**
Mainland China	**18,515**	2,308	**118,333**	**132,239**
USA	**124,874**	113,125	—	—
UK	**49,276**	40,069	—	—
Australia	**8,042**	13,608	—	—
Europe (other than UK)	**1,634**	2,469	—	—
Other countries	**14,399**	14,810	—	—
	430,717	386,043	**263,713**	**283,127**

Revenue from the individual countries included in other countries is not significant.

4. REVENUE AND SEGMENT REPORTING AND OTHER INCOME (CONTINUED)

(c) Other income

	2017 HK$'000	2016 HK$'000
Bank interest income	**226**	192
Interest income from investments in key management insurance policies	**184**	94
Profit arising from sales of scrap materials	**2,614**	1,905
Income received from government subsidies	**694**	1,896
Loss on a forward foreign exchange contract	**—**	(25)
Net foreign exchange gain/(loss)	**4,503**	(1,252)
Gain on disposal of property, plant and equipment	**620**	190
Dividend income	**—**	62
Bad debt recovery	**388**	—
Sundry income	**1,205**	445
	10,434	3,507

5. OTHER EXPENSES

	2017 HK$'000	2016 HK$'000
Impairment loss on trade debtors	**321**	3,212
Reversal of impairment loss on trade debtors	**—**	(1,059)
Listing expenses	**15,243**	8,103
Tax penalty for late submission	**112**	—
Sundry expenses	**312**	—
	15,988	10,256

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2017 HK$'000	2016 HK$'000
a) Finance costs		
Interest on convertible loan	**—**	1,471
Interest on bank loans and overdrafts	**6,579**	5,411
Finance charges on obligations under finance leases	**276**	176
Other borrowing costs	**1,466**	1,238
	8,321	8,296
b) Staff costs# (including directors' emoluments)		
Contributions to defined contribution retirement plans	**14,430**	11,086
Salaries, wages and other benefits	**91,031**	91,378
	105,461	102,464

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

6. PROFIT BEFORE TAXATION (CONTINUED)

b) Staff costs# (including directors' emoluments) (Continued)

In addition, employees with 4 years to 10 years of service of the Group are entitled to receive the employer's additional voluntary contributions equal to 5% to 10% of the employees' monthly basic salaries when the employees make additional voluntary contributions at the same time. The maximum voluntary contributions of the Group for those employees with services of the Group more than 10 years are 10% of the employees' basic salaries.

Pursuant to the relevant labour rules and regulations in the People's Republic of China (the "**PRC**"), the Group's subsidiary in the PRC participates in defined contribution retirement benefit schemes (the "**Schemes**") organised by the relevant local government authorities in the PRC whereby the subsidiary is required to make contributions to the Schemes based on a percentage of the eligible employees' salaries during the years ended 31 December 2017 and 2016.

The Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

c) Other items

	2017	2016
	HK$'000	HK$'000
Auditors' remuneration — audit services	**1,000**	382
Amortisation of intangible assets	**115**	109
Depreciation of property, plant and equipment#	**20,823**	13,783
Operating lease rentals in respect of office, factory and warehouse#	**8,848**	10,323
Cost of finished goods# *(Note 16(b))*	**311,635**	260,460

Cost of finished goods includes HK$83,964,000 (2016: HK$79,536,000) relating to staff costs, operating lease charges and depreciation expenses, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

a) Income tax in the consolidated statement of profit or loss represents:

	2017	2016
	HK$'000	HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	**3,400**	4,219
Over-provision in respect of prior years	**(990)**	—
Tax penalty for prior year's late submission	**—**	80
Current tax — PRC Enterprise Income Tax		
Provision for the year	**2,461**	1,419
Deferred tax		
Origination and reversal of temporary difference	**1,058**	(303)
	5,929	5,415

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operates.

The provision for Hong Kong Profits Tax of the Company and subsidiaries established in Hong Kong are calculated at 16.5% of the estimated assessable profits for the reporting period.

The provision for the PRC Enterprise Income Tax of the subsidiary established in the PRC is calculated at 25% of the estimated taxable profits for the reporting period.

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2017 HK$'000	2016 HK$'000
Profit before taxation	**12,459**	18,379
Notional tax on profit before taxation calculated at the statutory tax rates applicable to the profit in the jurisdictions concerned	**3,199**	3,097
Tax effect of non-deductible expenses	**4,049**	1,816
Tax effect of non-taxable income	**(78)**	(3)
Tax effect of tax losses not recognised	**302**	715
Utilisation of unused tax losses	**(547)**	—
Statutory tax concession	**—**	(60)
Over-provision in prior years	**(990)**	—
Others	**(6)**	(150)
Actual tax expense	**5,929**	5,415

8. DIRECTORS' AND CHIEF EXECUTIVE'S 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 and the chief executive's emoluments are as follows:

For the year ended 31 December 2017:

	Note	**Directors' fees HK$'000**	**Salaries, allowance and benefits in kind HK$'000**	**Retirement scheme contributions HK$'000**	**Total HK$'000**
Executive directors					
Lam Sam Ming *(Chairman and chief executive)*		**110**	**2,565**	**234**	**2,909**
Yao Yuan	(ii)	**12**	**258**	**13**	**283**
Chan Sau Po	(iii)	**35**	**848**	**86**	**969**
Non-executive director					
Ong Chor Wei	(iii)	**6**	**—**	**—**	**6**
Independent non-executive directors					
Cheung Yin	(iv)	**6**	**—**	**—**	**6**
Wong Hei Chiu	(iv)	**6**	**—**	**—**	**6**
Leung Vincent Gar-Gene	(iv)	**6**	**—**	**—**	**6**
		181	**3,671**	**333**	**4,185**

For the year ended 31 December 2016:

	Note	Directors' fees HK$'000	Salaries, allowance and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors					
Lam Sam Ming *(Chairman and chief executive)*		—	2,573	224	2,797
Li Mun Kun	(i)	—	—	—	—
Yao Yuan	(ii)	—	143	8	151
Chan Sau Po	(iii)	—	218	26	244
Non-executive director					
Ong Chor Wei	(iii)	—	—	—	—
		—	2,934	258	3,192

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

During the year, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in Note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the year.

Notes:

i) Li Mun Kun ("**Mr. Li**") resigned as a director of the Company on 10 March 2016.

ii) Yao Yuan ("**Ms. Yao**"), the spouse of Mr. Lam Sam Ming ("**Mr. Lam**"), was appointed as a director of the Company on 10 March 2016.

iii) Chan Sau Po and Ong Chor Wei were appointed as directors of the Company on 8 September 2016.

iv) Cheung Yin, Wong Hei Chiu and Leung Vincent Gar-Gene were appointed as independent non-executive directors of the Company on 15 November 2017.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2016: two) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other three (2016: three) individuals are as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries and other emoluments	**2,120**	1,965
Retirement scheme contributions	**217**	195
	2,337	2,160

The emoluments of the three (2016: three) individuals with the highest emoluments are within the following bands:

	2017 **Number of individuals**	2016 Number of individuals
Nil to HK$1,000,000	**3**	3

10. OTHER COMPREHENSIVE INCOME

Components of other comprehensive income, including re-classification adjustments, are as follows:

	2017 HK$'000	2016 HK$'000
Exchange differences on translation of financial statements of operations with functional currency other than Hong Kong dollars	**7,981**	(7,331)
Available-for-sale investments:		
Changes in fair value recognised during the reporting period	**(14)**	3
	7,967	(7,328)

11. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$6,530,000 (2016: HK$13,365,000) and the weighted average of 610,411,000 (2016: 532,459,000) ordinary shares after taking into account the effect of issuance of shares upon the initial public offering on 13 December 2017 and the share subdivision on 14 September 2016, calculated as follows:

Weighted average number of ordinary shares (basic)

	2017 '000	2016 '000
Issued ordinary shares at 1 January	**600,000**	5,000
Effect of convertible loan converted	—	546
Effect of shares subdivision	—	526,913
Effect of shares issued upon initial public offering	**10,411**	—
Weighted average number of ordinary shares at 31 December	**610,411**	532,459

11. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$6,530,000 (2016: HK$14,593,000) and the weighted average of 610,411,000 (2016: 637,966,000) ordinary shares after taking into account the effect of the share subdivision on 14 September 2016, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2017	2016
	HK$'000	HK$'000
Profit attributable to ordinary equity shareholders	**6,530**	13,365
After tax effect of effective interest on the liability component of convertible loan	—	1,228
Profit attributable to ordinary equity shareholders (diluted)	**6,530**	14,593

(ii) Weighted average number of ordinary shares (diluted)

	2017	2016
	'000	'000
Weighted average number of ordinary shares (basic) at 31 December	**610,411**	532,459
Effect of conversion of convertible loan	—	105,507
Weighted average number of ordinary shares (diluted) at 31 December	**610,411**	637,966

For the year ended 31 December 2017
(Expressed in Hong Kong dollars)

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings held for own use HK$'000	Plant and machinery HK$'000	Fixtures and furnitures HK$'000	Motor vehicles HK$'000	Total HK$'000
Costs:					
At 1 January 2016	—	360,902	10,662	5,645	377,209
Additions					
— through acquisition of subsidiaries	131,800	—	514	—	132,314
— others	—	16,944	30	—	16,974
Disposals	—	(2,906)	(59)	—	(2,965)
Exchange realignment	—	(8,491)	(152)	(52)	(8,695)
At 31 December 2016	**131,800**	**366,449**	**10,995**	**5,593**	**514,837**
At 1 January 2017	131,800	366,449	10,995	5,593	514,837
Additions	—	608	708	1,117	2,433
Disposals	—	(51,804)	—	(948)	(52,752)
Exchange realignment	—	7,440	186	50	7,676
At 31 December 2017	**131,800**	**322,693**	**11,889**	**5,812**	**472,194**
Accumulated depreciation:					
At 1 January 2016	—	215,915	7,408	3,658	226,981
Charge for the year	1,894	10,738	734	417	13,783
Written back on disposals	—	(1,291)	(55)	—	(1,346)
Exchange realignment	—	(3,374)	(93)	(45)	(3,512)
At 31 December 2016	**1,894**	**221,988**	**7,994**	**4,030**	**235,906**
At 1 January 2017	1,894	221,988	7,994	4,030	235,906
Charge for the year	4,544	15,134	674	471	20,823
Written back on disposals	—	(45,733)	—	(830)	(46,563)
Exchange realignment	—	2,592	128	43	2,763
At 31 December 2017	**6,438**	**193,981**	**8,796**	**3,714**	**212,929**
Carrying amount:					
At 31 December 2017	**125,362**	**128,712**	**3,093**	**2,098**	**259,265**
At 31 December 2016	129,906	144,461	3,001	1,563	278,931

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

a) The Group's properties

The leasehold land and buildings are held in Hong Kong on long leases.

b) Assets held under finance leases

In addition to the leasehold land and buildings classified as being held under a finance lease in note (a) above, the Group leases production plant and machinery under finance leases expiring 3 years. At the end of the lease term the Group has the option to purchase the leased machinery or equipment at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals.

At 31 December 2017, the carrying amount of plant and machinery held under finance leases were HK$8,379,000 (2016: HK$5,789,000).

c) Pledge of property, plant and equipment

At 31 December 2017, the Group's properties and machinery (as included in plant and equipment) with carrying amounts of HK$125,362,000 (2016: HK$129,906,000) and HK$7,336,000 (2016: HK$nil), respectively, were pledged as collateral for the Group's banking facilities (see Note 22).

13. INTANGIBLE ASSETS

	Computer software HK$'000
Cost:	
At 1 January 2016	1,079
Additions	112
Exchange realignment	(77)
At 31 December 2016	**1,114**
At 1 January 2017	1,114
Additions	—
Exchange realignment	83
At 31 December 2017	**1,197**
Accumulated amortisation:	
At 1 January 2016	51
Charge for the year	109
Exchange realignment	(9)
At 31 December 2016	**151**
At 1 January 2017	151
Charge for the year	115
Exchange realignment	16
At 31 December 2017	**282**
Carrying amount:	
At 31 December 2017	**915**
At 31 December 2016	963

The amortisation charge is included in "administrative expenses" in the consolidated statement of profit or loss.

14. AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
	HK$'000	HK$'000
Investment funds in Hong Kong, at fair value		
— Unlisted but quoted funds	**2,573**	2,405

The fair value of investment funds is based on quoted market price in an active market at the end of the reporting period.

The available-for-sale investments of approximately HK$2,573,000 (2016: HK$2,405,000) denominated in Renminbi ("**RMB**") were pledged as collateral for the Group's banking facilities (see Note 22) as at 31 December 2017.

15. INVESTMENTS IN KEY MANAGEMENT INSURANCE POLICIES

During the years ended 31 December 2017 and 2016, the Group entered into the following key management insurance policies:

(a) During the year ended 31 December 2017, the Company has entered into two key management insurance policies (the "**Policy I**" and "**Policy II**") with insurance companies to insure two directors of the Company. Under these policies, the Company is the beneficiary and policy holder, and the total insured sums of Policy I and Policy II are US$536,395 and US$1,000,000, respectively. The Company is required to pay a single premium of US$128,000 (equivalent to approximately HK$992,000) and US$256,580 (equivalent to approximately HK$1,988,000), respectively, under the Policy I and Policy II to the insurance company at inception. The Company can, at any time, withdraw cash based on the account value of the relevant policy ("**Account Value**") at the date of withdrawal, which is determined by the gross premium paid plus accumulated interest earned and minus any charges made in accordance with the terms and conditions of the policies. If withdrawal is made between the 1st to 15th policy year, there is a specified amount of surrender charge deducted from Account Value. Under the Policy I, the insurance company will pay the Group a guaranteed interest rate of 3.9% per annum for the first five years and a variable return per annum afterwards (with guaranteed minimum interest rate of 2.25%) during the effective period of the policy. Under the Policy II, the insurance company will pay the Group a guaranteed interest rate of 3.4% per annum for the first year and a variable return per annum afterwards (with guaranteed minimum interest rate of 1.8%) during the effective period of the policy.

As represented by the directors of the Company, the Company will not terminate the policy nor withdraw cash prior to the end of the 15th policy year and the expected life of the policy remained unchanged since its initial recognition. The balance of the deposit of key management insurance policy is denominated in United States dollars ("**USD**"), being a currency other than the functional currency of the relevant group entity.

15. INVESTMENTS IN KEY MANAGEMENT INSURANCE POLICIES (CONTINUED)

(b) During the year ended 31 December 2016, the Company has entered into a key management insurance policy with an insurance company to insure a director of the Company. Under this policy, the Company is the beneficiary and policy holder and the total insured sum is US$1,250,000. The Company is required to pay a single premium of US$655,862 (equivalent to approximately HK$5,083,000) to the insurance company at inception. The Company can, at any time, withdraw cash based on the account value of the policy ("**Account Value**") at the date of withdrawal, which is determined by the gross premium paid plus accumulated interest earned and minus any charges made in accordance with the terms and conditions of the policy. If withdrawal is made between the 1st to 18th policy year, there is a specified amount of surrender charge deducted from Account Value. The insurance company will pay the Group a guaranteed interest rate of 4% per annum for the first year and a variable return per annum afterwards (with guaranteed minimum interest rate of 2%) during the effective period of the policy.

As represented by the directors of the Company, the Company will not terminate the policy nor withdraw cash prior to the end of the 18th policy year and the expected life of the policy remained unchanged since its initial recognition. The balance of the deposit of key management insurance policy is denominated in USD, being a currency other than the functional currency of the relevant group entity.

At the inception date, the gross premium paid by the Company included a fixed policy premium charge and a deposit. Monthly policy expense and insurance charges will be incurred over the insurance period with reference to the terms set out in the relevant key management insurance policies. The policy premium, expense and insurance charges are recognised in profit or loss over the expected life of the relevant policy and the deposit placed is carried at amortised cost using the effective interest method.

As at 31 December 2017, investments in key management insurance policies with carrying amount of HK$7,213,000 (2016: HK$5,116,000) were pledged as collateral for the Group's banking facilities (see Note 22).

16. INVENTORIES

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

	2017 HK$'000	2016 HK$'000
Raw materials	**57,224**	38,749
Work-in-progress	**16,037**	13,170
Finished goods	**2,878**	908
	76,139	52,827

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

	Note	2017 HK$'000	2016 HK$'000
Carrying amount of finished goods sold	*6(c)*	**311,635**	260,460

17. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade debtors	**123,439**	105,541
Less: allowance for doubtful debts	**(17,362)**	(17,041)
	106,077	88,500
Advance to a sub-contractor	**9,023**	9,035
Other receivables	**729**	889
Loans and receivables	**115,829**	98,424
Prepaid expense, for listing fee	**—**	1,743
Other prepaid expenses	**173**	390
Utility and other deposits	**604**	1,450
Prepayment for acquisition of raw materials	**2,715**	—
Other tax recoverable	**3,883**	3,511
	123,204	105,518

The amount of utility and other deposits expected to be recovered or recognised as expense after more than one year is HK$580,000 (2016: HK$567,000). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	2017 **HK$'000**	2016 HK$'000
Within 1 month	**36,654**	30,749
1 to 3 months	**29,032**	22,901
3 to 6 months	**31,315**	29,583
6 to 12 months	**7,506**	4,967
Over 1 year	**1,570**	300
	106,077	88,500

Trade debtors are normally due within 180 days from the date of billing. Further details on the Group's credit policy are set out in Note 28(a)(i).

b) Impairment of trade debtors

Impairment losses in respect of trade debtors 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 debtors directly (see Note 2(i)(i)).

The movement in the allowance for doubtful debts during the reporting period is as follows:

	2017 **HK$'000**	2016 HK$'000
At 1 January	**17,041**	14,888
Impairment loss recognised	**321**	2,153
At 31 December	**17,362**	17,041

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

b) Impairment of trade debtors (Continued)

At 31 December 2017, trade debtors of HK$17,362,000 (2016: HK$17,041,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that these receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts of HK$17,362,000 (2016: HK$17,041,000) were recognised.

c) Trade debtors that are not impaired

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

	2017 **HK$'000**	2016 HK$'000
Neither past due nor impaired	**65,054**	56,425
Less than 1 month past due	**19,400**	16,694
1 to 3 months past due	**15,388**	12,956
3 to 6 months past due	**4,044**	1,794
6 to 12 months past due	**1,639**	331
Over 1 year past due	**552**	300
	41,023	32,075
	106,077	88,500

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

18. PLEDGED BANK DEPOSITS

Pledged bank deposits are pledged to a bank to secure banking facilities granted to the Group (see Note 22).

19. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

a) Cash and cash equivalents comprise:

	2017 **HK$'000**	2016 HK$'000
Cash and cash equivalents in the consolidated statement of financial position		
— Cash at banks and on hand	**49,375**	4,126
Bank overdrafts *(Note 22)*	—	(14,398)
Cash and cash equivalents in the consolidated statement of cash flows	**49,375**	(10,272)

At 31 December 2017, bank balances of a PRC subsidiary amounting to HK$264,000 (2016: HK$1,466,000) are not freely convertible into other currencies and subject to Mainland China's Regulation on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯，售匯及付匯管理規定) promulgated by the People's Bank of China of the PRC.

19. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

b) Reconciliation of profit before taxation to cash (used in)/generated from operations:

	2017 **HK$'000**	2016 **HK$'000**
Profit before taxation	**12,459**	18,379
Adjustments for:		
Depreciation of property, plant and equipment	**20,823**	13,783
Gain on disposal of property, plant and equipment	**(620)**	(190)
Amortisation of intangible assets	**115**	109
Impairment loss on trade debtors	**321**	2,153
Bank interest income	**(226)**	(192)
Interest income from investments in key management insurance policies	**(184)**	(94)
Insurance premium charge for investments in key management insurance policies	**24**	44
Finance costs	**8,321**	8,296
Exchange difference	**(182)**	—
Dividend income	**—**	(62)
Changes in working capital:		
(Increase)/decrease in inventories	**(18,969)**	1,891
(Increase)/decrease in trade and other receivables	**(16,593)**	29,752
Decrease in trade and other payables	**(36,978)**	(40,785)
(Decrease)/increase in derivative financial instruments	**(25)**	25
Cash (used in)/generated from operations	**(31,714)**	33,109

For the year ended 31 December 2017
(Expressed in Hong Kong dollars)

19. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

c) Reconciliation of liabilities arising from financing activities

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

	Bank loans and overdrafts HK$'000 *(Notes 22)*	Finance leases HK$'000 *(Note 23)*	Total HK$'000
At 1 January 2017	**156,012**	**1,850**	**157,862**
Changes from financing cash flows:			
Proceeds from new bank loans	425,094	—	425,094
Repayment of bank loans	(386,897)	—	(386,897)
Interest paid	(8,045)	—	(8,045)
Capital elements of finance lease rentals paid	—	(4,529)	(4,529)
Interest elements of finance lease rentals paid	—	(276)	(276)
Total changes from financing cash flows	30,152	(4,805)	25,347
Exchange adjustments	—	32	32
Other changes:			
Decrease in bank overdrafts	(14,398)	—	(14,398)
New finance leases	—	9,645	9,645
Finance charges on obligations under finance leases *(Note 6(a))*	—	276	276
Interest on bank loans and overdrafts *(Note 6(a))*	6,579	—	6,579
Other borrowing costs *(Note 6(a))*	1,466	—	1,466
Total other changes	(6,353)	9,921	3,568
At 31 December 2017	**179,811**	**6,998**	**186,809**

19. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

c) Reconciliation of liabilities arising from financing activities (Continued)

	Bank loans and overdrafts HK$'000 *(Notes 22)*	Finance leases HK$'000 *(Note 23)*	Convertible loan HK$'000 *(Note 24)*	Total HK$'000
At 1 January 2016	157,813	4,920	16,893	179,626
Changes from financing cash flows:				
Proceeds from new bank loans	382,521	—	—	382,521
Repayment of bank loans	(393,506)	—	—	(393,506)
Proceeds from issuance of convertible loan	—	—	5,000	5,000
Interest paid	(6,649)	—	(1,121)	(7,770)
Capital elements of finance lease rentals paid	—	(3,165)	—	(3,165)
Interest elements of finance lease rentals paid	—	(176)	—	(176)
Total changes from financing cash flows	(17,634)	(3,341)	3,879	(17,096)
Changes arising from obtaining control of subsidiaries	608	—	—	608
Exchange adjustments	—	95	—	95
Other changes:				
Increase in bank overdrafts	8,576	—	—	8,576
Interest on bank loans and overdrafts *(Note 6(a))*	5,411	—	—	5,411
Other borrowing costs *(Note 6(a))*	1,238	—	—	1,238
Interest on convertible loan *(Note 6(a))*	—	—	1,471	1,471
Classification of equity conversion option as an equity instrument	—	—	(306)	(306)
Conversion of convertible loan	—	—	(21,937)	(21,937)
Finance charges on obligations under finance leases *(Note 6(a))*	—	176	—	176
Total other changes	15,225	176	(20,772)	(5,371)
At 31 December 2016	156,012	1,850	—	157,862

20. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	HK$'000
Trade creditors	**39,253**	36,692
Accrued staff costs	**6,377**	7,035
Other accruals	**2,816**	1,820
Payables for listing expenses	**11,388**	—
Other payables	**8,592**	12,664
Bills payable for purchase of plant and machinery	—	14,612
Amount due to a director *(Note 30(b))*	—	40,025
Receipts in advance	**199**	487
Other tax payable	**35**	55
	68,660	113,390

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

As of the end of each reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	2017	2016
	HK$'000	HK$'000
Within 1 month	**8,426**	16,540
1 to 3 months	**22,222**	12,533
3 to 6 months	**7,301**	7,511
6 to 12 months	**1,284**	88
Over 1 year	**20**	20
	39,253	36,692

21. DERIVATIVE FINANCIAL INSTRUMENTS

On 12 December 2016, the Company entered into a foreign currency forward contract with a bank in Hong Kong in order to manage the Group's currency risk. The Company recognised the fair value loss of HK$25,000 in profit or loss during the year ended 31 December 2016.

The major items of the outstanding contract at 31 December 2016 were as follows:

Notional amount	The contract maturity date	Forward contract rate
Buy JPY110,000,000	24 March 2017	HK$1 to JPY15.00

The above foreign exchange forward contract was measured at fair value at the end of the reporting period by reference to the contracted forward rate and the current spot rate.

22. BANK LOANS AND OVERDRAFTS

At 31 December 2017, the bank loans and overdrafts were repayable as follows:

	2017 **HK$'000**	2016 HK$'000
Bank overdrafts	**—**	14,398
Portion of bank loans due for repayment within one year	**134,596**	106,393
Portion of bank loans due for repayment after one year which contain a repayment on demand clause	**3,790**	35,221
Within 1 year or on demand under current liabilities	**138,386**	156,012
After 1 year but within 2 years	**11,358**	—
After 2 years but within 5 years	**20,337**	—
After 5 years	**9,730**	—
Bank loans under non-current liabilities	**41,425**	—
	179,811	156,012

At 31 December 2017, the bank loans and overdrafts were secured as follows:

	2017 **HK$'000**	2016 HK$'000
Bank overdrafts		
— secured and guaranteed	**—**	14,398
Bank loans		
— secured and guaranteed	**179,811**	141,614
	179,811	156,012

22. BANK LOANS AND OVERDRAFTS (CONTINUED)

The effective interest rates of the Group's bank loans are as follows:

	2017	2016
Effective interest rates:		
Bank loans and overdrafts	**2.69%–5.25% per annum**	2.38%–5.50% per annum

a) All of the bank loans and overdrafts are carried at amortised costs.

b) At 31 December 2017, the bank loans and overdrafts of approximately HK$9,908,000 (2016: HK$10,455,000) were denominated in USD.

At 31 December 2017, the bank facilities were secured by bank deposits of the Group, available-for-sales investments of the Group, the Group's trade debtors, the Group's property, plant and equipment, the assignment of rental proceeds of the Group's properties situated in Hong Kong, benefits of key management insurance policies and corporate guarantees from the Company and certain subsidiaries.

At 31 December 2016, the bank facilities were secured by bank deposits of the Group, available-for-sales investments of the Group, the Group's trade debtors, the Group's property, plant and equipment, the assignment of rental proceeds of the Group's properties situated in Hong Kong, benefits of key management insurance policy, corporate guarantees from the Company and certain subsidiaries, personal guarantees from Mr. Lam.

At the end of the reporting period, the directors of the Company do not consider it probable that a claim will be made against the Company and the Group under the corporate guarantees given by the Company and the Group, no liability is provided for in the financial statements of the Group and the Company. The Company and the Group have not recognised any deferred income in respect of these financial guarantees given by the Company and the Group as their fair values are insignificant.

22. BANK LOANS AND OVERDRAFTS (CONTINUED)

b) (Continued)

The carrying amounts of assets pledged against bank loans and overdrafts as at the end of the reporting period were analysed as follows:

	2017	2016
	HK$'000	HK$'000
Property, plant and equipment	**132,698**	129,906
Available-for-sale investments	**2,573**	2,405
Investments in key management insurance policies	**7,213**	5,116
Trade debtors	**31,489**	24,755
Bank deposits	**6,763**	11,985
	180,736	174,167
Less: Factoring trade receivables covered by insurance	**(31,489)**	(24,755)
	149,247	149,412

These banking facilities amounted to HK$323,399,000 (2016: HK$317,396,000) as at 31 December 2017. These facilities were utilised to the extent of HK$179,633,000 (2016: HK$162,116,000) as at 31 December 2017.

c) All of the Group's banking facilities are subject to the fulfilment of covenants based on the financial information of the Group and certain of its subsidiaries, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. In addition, certain of the Group's banking facilities letters contain clauses which give the banks the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of bank loans and does not consider it probable that the banks will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in Note 28(b). As at 31 December 2017, none of the covenants relating to drawn down facilities had been breached (2016: Nil).

22. BANK LOANS AND OVERDRAFTS (CONTINUED)

d) Notwithstanding the specified repayment schedules as stated in the facilities letters ("**specific repayment terms**") which allow the loans to be repaid over a period of more than one year, certain banking facilities granted to the Group include a clause that gives the banks the unconditional rights to call the bank loans at any time ("**repayment on demand clause**"). These bank loans as at 31 December 2017 and 2016 were classified as current liabilities in the consolidated statement of financial position.

However, the directors of the Company expects that the bank loans and overdrafts are to be repaid as follows based on the specific repayment terms:

	2017 **HK$'000**	2016 HK$'000
Bank loans and overdrafts due for repayment within one year or on demand:		
Overdrafts repayable on demand	—	14,398
Bank loans due for repayment within one year	**134,596**	106,393
	134,596	120,791
Bank loans due for repayment after one year *(see note below)*:		
After 1 year but within 2 years	**14,010**	8,263
After 2 years but within 5 years	**21,475**	21,065
After 5 years	**9,730**	5,893
	45,215	35,221
	179,811	156,012

Note: The amounts due are based on the specific repayment terms set out in the banking facilities letters and ignore the effect of any repayment on demand clause.

23. OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2017, the Group had obligations under finance leases repayable as follows:

	2017		2016	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**2,105**	**2,346**	1,782	1,822
After 1 year but within 2 years	**2,120**	**2,277**	68	68
After 2 years but within 5 years	**2,773**	**2,848**	—	—
	4,893	**5,125**	68	68
	6,998	**7,471**	1,850	1,890
Less: Total future interest expenses		**(473)**		(40)
Present value of lease obligations		**6,998**		1,850

24. CONVERTIBLE LOAN

On 20 September 2014, the Company and Mr. Lam Sam Ming ("**Mr. Lam**"), a director and controlling shareholder of the Company, entered into a convertible loan agreement with an independent third party (the "**Investor**") (the "**Original Convertible Loan Agreement**"), which was supplemented by a supplemental convertible loan agreement dated 25 July 2016 (the "**Supplemental Convertible Loan Agreement**", together with the Original Convertible Loan Agreement, the "**Convertible Loan Agreements**"). Pursuant to the Convertible Loan Agreements, the Company agreed to obtain from the Investor three tranches of the convertible loan with the facility amounts of HK$10,000,000, HK$5,000,000 and HK$10,000,000, respectively.

The convertible loan bears interest at 12% per annum, are secured by personal guarantee provided by Mr. Lam and has a maturity date falling thirty months after the date of the Original Convertible Loan Agreement (i.e. 20 March 2017). According to the Original Convertible Loan Agreement, Mr. Lam agreed to bear and pay on behalf of the Company five-sixths (5/6th) of all interest on the convertible loan. During the year ended 31 December 2016, the Company drew down the amount of HK$5,000,000.

The rights of the Investor may convert all or any portion of the convertible loan at any time up to maturity at the option of the Investor at a fixed exercise price of HK$17.6 per share.

The imputed finance cost on the convertible loan is calculated using the effective interest method by applying effective interest rates from 12.96% to 21.00% per annum for the convertible loan during the year ended 31 December 2016.

On 25 July 2016, the Investor converted the entire principal amount of the convertible loan into 1,250,000 ordinary shares of the Company. The carrying amount of the convertible loan at the time of conversion, together with the capital reserve of HK$602,000, was transferred to the share capital account in accordance with the accounting policy set out in Note 2(l).

25. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2017 **HK$'000**	2016 HK$'000
Tax payable at 1 January	**9,689**	9,885
Provision for Hong Kong Profits Tax for the current year	**3,400**	4,219
Over-provision for Hong Kong Profits Tax in respect of prior years	**(990)**	—
Provision for PRC Enterprise Income Tax for the current year	**2,461**	1,419
Tax paid	**(13,816)**	(6,128)
Tax refund	**—**	173
Exchange realignment	**551**	121
Tax payable at 31 December	**1,295**	9,689

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

b) Deferred tax liabilities recognised

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the reporting period are as follows:

	Unrealised loss arising from intra-group transactions HK$'000	Depreciation allowance in excess of the related depreciation HK$'000	Total HK$'000
At 1 January 2016	272	3,393	3,665
Charged/(credited) to profit or loss	463	(766)	(303)
Exchange realignment	—	(30)	(30)
At 31 December 2016	735	2,597	3,332
At 1 January 2017	735	2,597	3,332
Charged/(credited) to profit or loss	(200)	1,258	1,058
Exchange realignment	—	182	182
At 31 December 2017	535	4,037	4,572

c) Deferred tax assets not recognised

As at 31 December 2017, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$32,426,000 (2016: HK$33,911,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

d) Deferred tax liabilities not recognised

The PRC income tax law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings accumulated beginning on or after 1 January 2008. At 31 December 2017, temporary differences relating to the undistributed profits of a PRC subsidiary amounted to HK$28,275,000 (2016: HK$17,376,000). Deferred tax liabilities of HK$2,828,000 (2016: HK$1,738,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of this subsidiary and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

26. CAPITAL, RESERVES AND DIVIDENDS

a) Movements in components of equity

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

The Company

	Share capital *HK$'000*	Capital reserve *HK$'000*	Fair value reserve *HK$'000*	Retained profits *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2016	5,000	2,389	(86)	66,220	73,523
Changes in equity for 2016:					
Profit for the year	—	—	—	12,625	12,625
Other comprehensive income for the year	—	—	3	—	3
Total comprehensive income for the year	—	—	3	12,625	12,628
Issuance of convertible loan	—	306	—	—	306
Deemed contribution from a shareholder	—	1,225	—	—	1,225
Conversion of convertible loan	22,539	(602)	—	—	21,937
Balance at 31 December 2016	27,539	3,318	(83)	78,845	109,619
Balance at 1 January 2017	27,539	3,318	(83)	78,845	109,619
Changes in equity for 2017:					
Profit for the year	—	—	—	2,226	2,226
Other comprehensive income for the year	—	—	(14)	—	(14)
Profit and total comprehensive income for the year	—	—	(14)	2,226	2,212
Issuance of shares upon initial public offering	70,000	—	—	—	70,000
Listing expenses directly attributable to issuance of shares	(11,696)	—	—	—	(11,696)
Capital contribution from the controlling shareholder	15,000	—	—	—	15,000
Balance at 31 December 2017	100,843	3,318	(97)	81,071	185,135

26. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

b) Dividends

The directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

c) Share capital

i) *Issued share capital*

	2017 Number of shares	**2017** HK$'000	2016 Number of shares	2016 HK$'000
Ordinary shares, issued and fully paid:				
At 1 January	**600,000,000**	**27,539**	5,000,000	5,000
Conversion of convertible loan *(see Note 24)*	—	—	1,250,000	22,539
Effect of share subdivision	—	—	593,750,000	—
Capital contribution from the controlling shareholder	—	**15,000**	—	—
Issuance of shares upon initial public offering	**200,000,000**	**70,000**	—	—
Listing expenses directly attributable to issuance of shares	—	**(11,696)**	—	—
At 31 December	**800,000,000**	**100,843**	600,000,000	27,539

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

26. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

c) Share capital (Continued)

ii) Share subdivision

On 14 September 2016, each and every ordinary share of the Company was divided into 96 ordinary shares, and immediately following completion of the share subdivision, the number of the Company's issued ordinary shares was increased from 6,250,000 ordinary shares to 600,000,000 ordinary shares.

iii) Capital contribution from the controlling shareholder

Pursuant to written resolutions passed by all the shareholders of the Company on 15 November 2017, the share capital of the Company was increased from HK$27.5 million to HK$42.5 million without issuing any shares by way of a capital contribution of HK$15,000,000 made by Mr. Lam on behalf of First Tech Inc. in cash.

iv) Issuance of shares upon initial public offering

In connection with the Company's listing on GEM of the Stock Exchange on 13 December 2017, 200,000,000 ordinary shares were issued by initial public offering, at price of HK$0.35 per ordinary shares. Proceeds from such issue amounted to HK$70,000,000, all of which were credited to share capital.

d) Nature and purpose of reserves

i) Exchange reserve

The exchange reserve comprise all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set in Note 2(t).

ii) Capital reserve

Capital reserve comprising the following:

— the amount allocated to the unexercised equity component of convertible loan issued by the Company recognised in accordance with the accounting policy adopted for convertible loan in Note 2(l);

— the contribution from the controlling shareholder for bearing the interest of convertible loan.

26. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

d) Nature and purpose of reserves (Continued)

iii) Fair value 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 the accounting policies in Notes 2(e) and 2(i)(i).

e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt to equity ratio. For this purpose, net debt is defined as total debt (which includes bank loans and overdrafts, obligations under finance leases and amount due to a director) less cash and cash equivalents and pledged bank deposits. Equity comprises all of components of equity.

During 2017, the Group's strategy, which was unchanged from 2016, was to maintain the net debt to equity ratio in a balanced position. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

26. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

e) Capital management (Continued)

The Group's net debt to equity ratios as at 31 December 2017 and 2016 were as follows:

	2017 HK$'000	2016 HK$'000
Current liabilities		
Bank loans and overdrafts	**138,386**	156,012
Obligations under finance leases	**2,105**	1,782
Amount due to a director	**—**	40,025
	140,491	197,819
Non-current liabilities		
Bank loans	**41,425**	—
Obligations under finance leases	**4,893**	68
	46,318	68
Total debt	**186,809**	197,887
Less: Cash and cash equivalents	**(49,375)**	(4,126)
Pledged bank deposits	**(6,763)**	(11,985)
Net debt	**130,671**	181,776
Total equity	**268,607**	180,806
Net debt to equity ratio	**49%**	101%

Except for the banking facilities which require the fulfilment of covenants as disclosed in Note 22, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27. ACQUISITIONS OF ASSETS AND NON-CONTROLLING INTERESTS

a) Acquisition of assets and liabilities through acquisition of subsidiaries

The below acquisitions were determined by the directors of the Company to be acquisitions of assets and liabilities through acquisition of subsidiaries as the assets acquired are just industrial properties which in itself do not meet the definition of a business.

i) On 29 July 2016, the Group acquired 100% equity interests together with shareholder's loan in Super Noble Limited, which holds properties in Hong Kong that are rented by the Group as office, factory and warehouse, through a BVI company, Mr. Classic Inc., from the director and controlling shareholder of the Company, Mr. Lam Sam Ming, at a consideration of approximately HK$62,178,000.

Details of the net assets acquired in respect of the acquisition of Super Noble Limited are summarised as follows:

	Fair value on acquisition HK$'000
Leasehold land and buildings	61,900
Plant and equipment	89
Deposit for acquisition of property, plant and equipment	1,138
Deposits and other receivables	114
Cash and cash equivalents	52
Accruals and other payables	(253)
Shareholder's loan	(7,595)
Tax payables	(862)
	54,583
Assignment of shareholder's loan to the Group	7,595
	62,178

The consideration of HK$62,178,000 was set-off against the amount due from a director — Mr. Lam Sam Ming.	
Cash inflow arising on acquisition:	
Cash and cash equivalents acquired	52

27. ACQUISITIONS OF ASSETS AND NON-CONTROLLING INTERESTS (CONTINUED)

a) Acquisition of assets and liabilities through acquisition of subsidiaries (Continued)

ii) On 29 July 2016, the Group acquired 100% equity interest together with shareholder's loan in Tactful Hero Limited, which holds properties in Hong Kong that are rented by the Group as office, factory and warehouse, through a BVI company, Great China Gains Inc., from the director and controlling shareholder of the Company, Mr. Lam Sam Ming, at a consideration of approximately HK$71,660,000.

Details of the net assets acquired in respect of the acquisition of Tactful Hero Limited are summarised as follows:

	Fair value on acquisition HK$'000
Leasehold land and buildings	69,900
Plant and equipment	425
Deposit for acquisition of property, plant and equipment	1,286
Deposits and other receivables	207
Cash and cash equivalents	84
Tax recoverable	415
Accruals and other payables	(49)
Shareholder's loan	(10,945)
Bank loan	(608)
	60,715
Assignment of shareholder's loan to the Group	10,945
	71,660
The Consideration of HK$71,660,000 was off-set against the amount due from a director — Mr. Lam Sam Ming.	
Cash inflow arising from acquisition:	
Cash and cash equivalents acquired	84

27. ACQUISITIONS OF ASSETS AND NON-CONTROLLING INTERESTS (CONTINUED)

b) Acquisition of non-controlling interests

i) On 29 July 2016, the Company acquired an additional 1% interest in Printplus Limited at a nominal consideration of HK$10. After the aforesaid acquisition, Printplus Limited became a wholly-owned subsidiary of the Company. The Group recognised:

— a decrease in non-controlling interests of HK$110,000; and

— an increase in retained profits of HK$109,990.

ii) On 29 July 2016, the Company acquired an additional 31% interest in Century Sight Limited ("**Century Sight**") and its subsidiaries at a nominal consideration of HK$10. After the aforesaid acquisition, Century Sight and its subsidiaries became wholly-owned subsidiaries of the Company. The Group recognised:

— an increase in non-controlling interests of HK$4,970,000; and

— a decrease in retained profits of HK$4,970,010.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's financial instruments include available-for-sale investments, investments in key management insurance policies, trade and other receivables, pledged bank deposits, cash and cash equivalents, trade and other payables, derivative financial instruments, bank loans and overdrafts and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, pledged bank deposits and cash at banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The management reviews the recoverable amount of each debtor at the end of the reporting period to ensure that adequate impairment losses are recorded for irrecoverable amounts.

i) Trade debtors

In respect of trade debtors, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are due within 180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2017, 11.7% (2016: 9%) of the total trade debtors were due from the Group's largest customer and 33.9% (2016: 35%) of the total trade debtors were due from the Group's five largest customers.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors are set out in Note 17.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

a) Credit risk (Continued)

ii) Pledged bank deposits and cash at banks

The Group's cash is deposited with banks with sound credit ratings and the Group have exposure limit to any single bank. Given their high credit ratings, management does not expect any of these banks will fail to meet their obligations.

Except for the financial guarantees given by the Group as set out in Note 22(b), the Group does not provide any other guarantees which expose the Group to credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

b) Liquidity risk (Continued)

For bank loans subject to repayment on demand clauses which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

	2017 Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000	Carrying amount at 31 December 2017 HK$'000
Trade and other payables	68,660	—	—	—	68,660	68,660
Bank loans	136,903	15,638	23,801	10,109	186,451	179,811
Obligations under finance lease	2,346	2,277	2,848	—	7,471	6,998
	207,909	17,915	26,649	10,109	262,582	255,469
Adjustments to present cash flow on bank loans based on lender's right to demand repayment	4,269	(2,760)	(1,150)	—	359	—
	212,178	15,155	25,499	10,109	269,941	255,469

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

b) Liquidity risk (Continued)

	2016					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	105,813	—	—	—	105,813	105,813
Bank loans	108,226	9,140	22,475	5,977	145,818	141,614
Bank overdrafts	14,398	—	—	—	14,398	14,398
Obligations under finance leases	1,822	68	—	—	1,890	1,850
	230,259	9,208	22,475	5,977	267,919	263,675
Adjustments to present cash flow on bank loans based on lender's right to demand repayment	33,388	(9,140)	(22,475)	(5,977)	(4,204)	—
	263,647	68	—	—	263,715	263,675
Financial derivatives settled gross:						
Forward foreign exchange contract *(Note 28(d)(i))*						
— outflow	(7,331)	—	—	—	(7,331)	
— inflow	7,306	—	—	—	7,306	

c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans and overdrafts, and obligations under finance leases. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by the management is set out in note (i) below.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

c) Interest rate risk (Continued)

i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	2017		2016	
	Effective interest rate	**Amount HK$'000**	Effective interest rate	Amount HK$'000
Fixed rate borrowings:				
Bank loans	**3.75%**	**178**	3.75%	1,202
Obligations under finance leases	**4.00%–4.76%**	**6,998**	4.48%–6.15%	1,850
		7,176		3,052
Variable rate borrowings:				
Bank overdrafts	**—**	**—**	5.00%–6.50%	14,398
Bank loans	**2.69%–5.25%**	**179,633**	2.38%–5.50%	140,412
		179,633		154,810
Total borrowings		**186,809**		157,862

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

c) Interest rate risk (Continued)

ii) *Sensitivity analysis*

At 31 December 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately HK$1,500,000 (2016: HK$1,293,000).

The sensitivity analysis above indicates the annualised impact on the Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis is performed on the same basis as 2016.

The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group's exposure to fair value interest risk is insignificant.

d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Unites States dollars, Renminbi, British pound and Japanese Yen. The Group manages this risk as follows:

i) *Recognised assets and liabilities*

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss (see Note 4(c)). The net fair value of forward exchange contracts used by the Group as economic hedges of monetary assets and liabilities denominated in foreign currencies at 31 December 2017 was HK$nil (2016: HK$25,000), recognised as derivative financial instruments (see Note 21).

In respect of other financial assets and liabilities denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

All the Group's borrowings are denominated in either Hong Kong dollars or United States dollars. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

d) Currency risk (Continued)

ii) 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 Hong Kong dollars, translated using the spot rate at the reporting period end date. Differences resulting from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency are excluded.

Exposure to foreign currencies (expressed in HK$'000)

At 31 December

	2017				2016			
	United States Dollars HK$'000	**Renminbi HK$'000**	**British pound HK$'000**	**Euro HK$'000**	United States Dollars HK$'000	Renminbi HK$'000	British pound HK$'000	Japanese Yen HK$'000
Available-for-sale investments	**—**	**2,573**	**—**	**—**	—	2,405	—	—
Investments in key management insurance policies	**8,205**	**—**	**—**	**—**	5,116	—	—	—
Trade and other receivables	**60,373**	**—**	**1,304**	**361**	57,726	—	878	—
Pledged bank deposits	**—**	**2,940**	**—**	**—**	—	6,526	—	—
Cash and cash equivalents	**365**	**1**	**—**	**—**	1,302	2	—	—
Trade and other payables	**(14,326)**	**(20)**	**—**	**—**	(6,590)	(20)	(26)	(14,612)
Bank loans and overdrafts	**(9,908)**	**—**	**—**	**—**	(10,455)	—	—	—
Obligations under finance leases	**—**	**—**	**—**	**—**	—	—	—	—
Gross exposure arising from recognised assets and liabilities	**44,709**	**5,494**	**1,304**	**361**	47,099	8,913	852	(14,612)
Notional amount of forward exchange contract used as economic hedge	**—**	**—**	**—**	**—**	—	—	—	7,306
Net exposure arising from recognised assets and liabilities	**44,709**	**5,494**	**1,304**	**361**	47,099	8,913	852	(7,306)

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

d) Currency risk (Continued)

iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if the 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 pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	2017		2016	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
	%	**HK$'000**	%	HK$'000
United States dollars	**5**	**1,867**	5	1,966
	(5)	**(1,867)**	(5)	(1,966)
Renminbi	**5**	**1,499**	5	784
	(5)	**(1,499)**	(5)	(784)
British Pound	**5**	**54**	5	36
	(5)	**(54)**	(5)	(36)
Euro	**5**	**15**	5	—
	(5)	**(15)**	(5)	—
Japanese Yen	**5**	**—**	5	(305)
	(5)	**—**	(5)	305

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purpose.

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, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2016.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

e) Fair value measurement

i) Financial assets measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

		Fair value measurements at 31 December 2017 categorised into		
	Fair value	**Level 1**	**Level 2**	**Level 3**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Recurring fair value measurements				
Assets:				
Available-for-sale investments				
— Investment funds in Hong Kong	**2,573**	**2,573**	—	—

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

e) Fair value measurement (Continued)

i) Financial assets measured at fair value (Continued)

		Fair value measurements at 31 December 2016 categorised into		
	Fair value	Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements				
Assets:				
Available-for-sale investments				
— Investment funds in Hong Kong	2,405	2,405	—	—
Liabilities:				
Derivative financial instruments:				
— Forward exchange contract *(see Note 21)*	25	—	25	—

During the years ended 31 December 2017 and 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

ii) Fair value of financial assets and liabilities carried at other than fair value

The directors of the Company consider that the carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2017 and 2016.

29. COMMITMENTS

a) Capital commitments outstanding as at 31 December 2017 not provided for in the financial statements were as follows:

	2017 HK$'000	2016 HK$'000
Contracted for:		
— purchase of plant and machinery	**1,700**	91

b) At the end of each reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 HK$'000	2016 HK$'000
Within 1 year	**10,316**	8,963
After 1 year but within 5 years	**14,683**	23,250
	24,999	32,213

The Group is the lessee in respect of the office, factory and warehouse. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

30. MATERIAL RELATED PARTY TRANSACTIONS

During the years ended 31 December 2017 and 2016, transactions with the following parties are considered to be related party transactions:

Name of related party	***Relationship with the Group***
Mr. Lam Sam Ming ("**Mr. Lam**")	A director and the controlling shareholder of the Company and the spouse of Ms. Yao
Ms. Yao Yuan ("**Ms. Yao**")	A director of the Company and the spouse of Mr. Lam
Mr. Li Mun Kun	An ex-director of the Company (he resigned as a director of the Company on 10 March 2016)
Topping Shiny Limited	Controlled by Mr. Lam
Prosperous Printing Co. (萬里印刷製版裝訂公司) (the "**Partnership**")	A partnership carried on by Mr. Lam and Ms. Yao

30. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

In addition to the transactions and balances disclosed elsewhere in these financial statements, particulars of significant transactions between the Group and the above related parties during the years ended 31 December 2017 and 2016 are as follows:

a) Transactions with key management personnel

(i) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and all of the highest paid employees as disclosed in Note 9, is as follows:

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Salaries and other emoluments	**6,434**	5,958
Retirement scheme contributions	**619**	574
	7,053	6,532

Total remuneration is included in "staff costs" (see Note 6(b)).

(ii) Transactions with the Company's director

During the year ended 31 December 2016, Mr. Lam had given his personal guarantee to financial institutions in respect of the banking facilities granted to the Company. During the year ended 31 December 2017, this personal guarantee was released. Details of which are set out in Note 22.

The Company acquired two subsidiaries and non-controlling interests from Mr. Lam during the year ended 31 December 2016. Details of which are set out in Note 27.

The Partnership have granted to the Company an exclusive right to use the vehicle licences, as the same may be extended or renewed from time to time, free of charge during the years ended 31 December 2017 and 2016.

The Company has granted to Mr. Lam and Ms. Yao, in their capabilities as the partners of the Partnership, a non-exclusive licence to use the name "Prosperous" or "萬里" (whether used individually or together) for the Partnership free of charge.

30. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

b) Financing arrangements with related parties

At 31 December 2017, the Group has the following balances with related parties:

		At 31 December	
		2017	2016
	Note	**HK$'000**	HK$'000
Amounts due from directors			
(Non-trade in nature)			
— Lam Sam Ming	(i), (ii)	—	—
— Li Mun Kun	(i), (ii)	—	—
		—	—
Amount due to a director			
(Non-trade in nature)			
— Lam Sam Ming	(i)	—	(40,025)

Notes:

i) The amounts due from/(to) directors and related companies are unsecured, interest-free and repayable on demand.

During the year ended 31 December 2016, amount due from Li Mun Kun of HK$21,849,000 was assigned and transferred to Mr. Lam.

During the year ended 31 December 2016, amount due from Tactful Hero Limited of HK$5,002,000, amount due from Super Noble Limited of HK$115,000 and amount due from Topping Shiny Limited of HK$2,816,000 were assigned and transferred to Mr. Lam.

30. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

b) Financing arrangements with related parties (Continued)

ii) The maximum outstanding amounts due from related parties during the years ended 31 December 2017 and 2016 were as follows:

	Maximum balance outstanding during the year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Amounts due from directors		
— Lam Sam Ming	—	38,320
— Li Mun Kun	—	21,849

	Maximum balance outstanding during the year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Amount due from a related company		
— Topping Shiny Limited	—	2,816

31. CONTINGENT LIABILITIES

The Group is a party to a number of legal proceedings where the Group, as plaintiff, claims for unpaid fees with respect to the Group's printing services, all of which arose during the ordinary course of the Group's business. Among such legal proceedings, the Group has been subject to a counterclaim by the Group's former customer in one legal proceeding as at 31 December 2017. Details of this counterclaim are set forth below:

31. CONTINGENT LIABILITIES (CONTINUED)

The customer in France (the "**French Publisher**") counterclaims (1) approximately US$318,000 as copyright payments ("**Copyright Claim**") in respect of certain books and other printing products printed by the Group under the relevant printing arrangement, which is the underlying cause of the Copyright Claim; (2) approximately US$100,000 for alleged payments ("**Alleged Payment Claim**") to the Group or the Group's affiliate which shall partially off-set against the Group's original claim of approximately US$752,000 and Euros 180,000 (approximately equivalent to HK$7.35 million in aggregate) in respect of non-payment of printing products against the French Publisher ("**French Original Claim**"), where it alleged to have made a payment of such amount to a print broker based in Germany with the authorisation of a third party alleged to be the Group's agent; (3) approximately Euros 1,400,000 being the primary claim on the grounds of late deliveries of print products ("**Late Delivery Primary Claim**"); (4) approximately US$501,000, Euros 584,000, 2,000 Australian Dollars and 2,000 Pounds Sterling being the secondary claim ("**Late Delivery Secondary Claim**") if the Late Delivery Primary Claim fails, plus legal interests from the date of the judgement; and (5) Euros 100,000 of moral damages on the grounds for damaged reputation ("**Damaged Reputation Claim**"), where it alleged to have suffered damage to its reputation and brand as a result of late and/or faulty deliveries. The Copyright Claim and the Alleged Payment Claim were first filed on 17 December 2014 and 30 April 2016 respectively, while the Late Delivery Primary Claim, the Late Delivery Secondary Claim and the Damaged Reputation Claim were filed on 5 October 2016.

Based on currently available documents, the Group's legal advisers have advised the Group that:

(1) the risk of the Copyright Claim being successfully pursued against the Group is uncertain at this stage as regards the amount recoverable, pending further court proceedings and exchange of further evidence; but it is for off-setting against the French Original Claim;

(2) the Alleged Payment Claim is for off-setting against the Original Claim;

(3) the risk of the Late Delivery Primary Claim being successfully pursued against the Group is remote because (i) the evidence produced by the French Publisher fails to prove the existence of any late and/or faulty deliveries nor does it establish any causal connection between the amounts claimed and any delivery made by the Group; and (ii) the amount claimed is arbitrary and unjustified as the French Publisher fails to prove any causal connection between the alleged late deliveries and the alleged reduction in price of the printing products on-sold to its customers;

(4) the risk of the Late Delivery Secondary Claim being successfully pursued against the Group is uncertain at this stage pending further court proceedings and exchange of further evidence and it is difficult to reasonably estimate the amount payable by the Group to the French Publisher; and

(5) the risk of the Damaged Reputation Claim being successfully pursued against the Group is remote because there is a lack of evidence showing any damage to the French Publisher's reputation to justify the amount claimed.

Given that Mr. Lam and two former directors of the Company entered into arrangements in 2012 and 2013 to settle the unpaid trade receivable due from the French Publisher (among other customers) without recourse to the Group, the directors of the Company are of the opinion, based on the above legal advices, that this counterclaim is not expected to have a significant impact on the consolidated financial statements. Accordingly, no provision has been made in the consolidated financial statements.

For the year ended 31 December 2017
(Expressed in Hong Kong dollars)

32. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2017 HK$'000	2016 HK$'000
Non-current assets		
Plant and equipment	**9,481**	9,740
Investments in subsidiaries	**187,716**	187,716
Available-for-sale investments	**2,573**	2,405
Investments in key management insurance policies	**8,176**	5,116
	207,946	204,977
Current assets		
Trade and other receivables	**54,077**	51,528
Amounts due from subsidiaries	**106,945**	82,836
Pledged bank deposits	**6,763**	10,121
Cash and cash equivalents	**47,070**	1,350
Tax recoverable	**81**	—
	214,936	145,835
Current liabilities		
Trade and other payables	**41,026**	89,362
Amounts due to subsidiaries	**13,735**	177
Derivative financial instruments	**—**	25
Bank loans and overdrafts	**134,169**	146,889
Obligations under finance leases	**2,037**	480
Tax payable	**—**	3,935
	190,967	240,868
Net current assets/(liabilities)	**23,969**	(95,033)
Total assets less current liabilities	**231,915**	109,944
Non-current liabilities		
Bank loans	**41,425**	—
Obligations under finance leases	**4,893**	—
Deferred tax liabilities	**462**	325
	46,780	325
NET ASSETS	**185,135**	109,619

32. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	2017 HK$'000	2016 HK$'000
CAPITAL AND RESERVES		
Share capital	**100,843**	27,539
Reserves	**84,292**	82,080
TOTAL EQUITY	**185,135**	109,619

The statement of financial position of the Company was approved by the board of directors on 29 March 2018 and was signed on its behalf:

Lam Sam Ming *Director*	**Chan Sau Po** *Director*

33. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2017, the directors consider the immediate controlling party of the Company to be First Tech Inc., which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

The directors regard ultimate controlling party of the Company to be Mr. Lam Sam Ming.

(Expressed in Hong Kong dollars)

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

Amendments to HKFRS 2	Share-based Payment: Classification and measurement of share-based payment transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations 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. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

HKFRS 9 "Financial Instruments"

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39 "Financial Instruments: Recognition and Measurement". HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

HKFRS 9 "Financial Instruments" (Continued)

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group has the option to irrevocably designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group plans not to elect this designation option for any of the investments held on 1 January 2018 and will recognise any fair value changes in respect of these investments in profit or loss as they arise. This will give rise to a change in accounting policy as currently the Group recognises the fair value changes in respect of available-for-sale equity investments in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in Notes 2(e) and (i). This change in policy will have no impact on the Group's net assets and total comprehensive income, but will increase volatility in profit or loss. Upon the initial adoption of HKFRS 9, fair value losses of HK$97,000 related to the available-for-sale investments will be transferred from the fair value reserve to retained profits at 1 January 2018.

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

HKFRS 9 "Financial Instruments" (Continued)

(a) Classification and measurement (Continued)

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group's financial statements on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group has assessed how its impairment provisions would be affected by the new model. So far it has concluded that there would be no material impact for the application of the new impairment requirements.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18 "Revenue", which covers revenue arising from sale of goods and rendering of services, and HKAS 11 "Construction Contracts" which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

HKFRS 15 "Revenue from Contracts with Customers" (Continued)

The Group's revenue recognition policies are disclosed in Note 2(s). Currently, revenue arising from the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from the provision of services and the sale of goods.

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

HKFRS 16 "Leases"

As disclosed in Note 2(h), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, 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, that is, at the commencement date of the lease the lessee will recognise 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 (that is, 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 recognised on a systematic basis over the lease terms.

HKFRS 16 will primarily affect the Group's accounting as 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 consolidated statement of profit or loss over the period of the lease. As disclosed in Note 29(b), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$24,999,000 for properties, the half of which is payable between 1 year and 5 years after the reporting date. Some of this amount 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.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

35. INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries. All the subsidiaries are private companies and the class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Particulars of issued and fully paid capital/ registered share capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Printplus Limited	Hong Kong/ 18 February 2004	100 shares	100%	100%	—	Trading of books and paper products
Century Sight Limited	Hong Kong/ 22 February 2008	100 shares	100%	100%	—	Investment holding
Great Wall Printing Company Limited	Hong Kong/ 23 May 2008	100 shares	100%	—	100%	Trading and production of books and paper products
Prosperous Printing (Shenzhen) Co., Ltd. (中萬印刷(深圳)有限公司) *(Note)*	The People's Republic of China (the "**PRC**")/ 3 December 2010	RMB60,000,000 registered capital	100%	100%	—	Productions of books and paper products
Mr. Classic Inc.	British Virgin Islands ("**BVI**")/ 6 January 2016	50,000 shares of US$1 each	100%	100%	—	Investment holding
Great China Gains Inc.	BVI/ 6 January 2016	50,000 shares of US$1 each	100%	100%	—	Investment holding
Super Noble Limited	Hong Kong/ 10 March 2008	10,000 shares	100%	—	100%	Property investment
Tactful Hero Limited	Hong Kong/ 10 March 2008	1,000 shares	100%	—	100%	Property investment

Note: Prosperous Printing (Shenzhen) Company Limited is established in the PRC as a wholly foreign-owned enterprise. The English name is for identification purpose only.

Four-Year Financial Summary

	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000
	Note (a)	*Note (b)*	*Note (b)*	*Note (b)*
For the year				
Revenue	**430,717**	386,043	377,750	401,218
Profit before taxation	**12,459**	18,379	15,833	18,217
Profit attributable to equity holders of the Company	**6,530**	13,365	13,550	11,547
At year end				
Total assets	**529,943**	465,104	424,386	470,669
Total liabilities	**261,336**	284,298	272,684	281,125
Total equity attributable to equity holders of the Company	**268,607**	180,806	156,161	192,331

Notes:

(a) The financial figures were extracted from the consolidated financial statements in the annual report.

(b) The financial figures were extracted from the Prospectus dated 29 November 2017.

The financial information for the year ended 31 December 2013 was not disclosed as the consolidated financial statements for the Group have not been prepared for that year. The summary above does not form part of the audited consolidated financial statements.