理文造紙有限公司*

Lee & Man Paper Manufacturing Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2314)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- Revenue for the year of HK$25,837 million (2016: HK$18,342 million);
- Net profit for the year of HK$5,040 million (2016: HK$2,863 million);
- Net profit per ton about HK$913 for the year;
- Stable payout ratio of about 33%, with proposed final dividend of HK20.0 cents per share.

* *For identification purposes only*

FINAL RESULTS

The Board of Directors (the "Board") of Lee & Man Paper Manufacturing Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*3*	**25,836,884**	18,341,677
Cost of sales		**(18,324,030)**	(14,261,143)
Gross profit		**7,512,854**	4,080,534
Other income	*4*	**791,671**	545,701
Other gains and losses	*5*	**(69,421)**	22,250
Distribution and selling expenses		**(435,004)**	(251,943)
General and administrative expenses		**(1,291,614)**	(875,307)
Finance costs	*6*	**(185,311)**	(167,218)
Profit before tax		**6,323,175**	3,354,017
Income tax expense	*7*	**(1,282,883)**	(491,274)
Profit for the year	*8*	**5,040,292**	2,862,743
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**1,551,737**	(2,142,492)
Total comprehensive income for the year		**6,592,029**	720,251
		HK cents	*HK cents*
Earnings per share	*10*	**111.47**	62.64

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**27,458,855**	24,312,225
Prepaid lease payments		**936,881**	877,980
Investment properties		**581,602**	371,409
Deposits paid for acquisition of property, plant and equipment and land use rights		**152,178**	149,685
Interest in a joint venture		**–**	–
Loan to a joint venture		**97,453**	95,953
		29,226,969	25,807,252
CURRENT ASSETS			
Inventories		**4,954,319**	2,914,432
Prepaid lease payments		**21,310**	21,111
Loan to a joint venture		**36,890**	–
Trade and other receivables	*11*	**6,775,828**	4,959,863
Amounts due from related companies		**21,709**	17,442
Derivative financial instruments		**4,127**	231
Margin deposits		**–**	1,450
Bank balances and cash		**2,248,641**	1,274,197
		14,062,824	9,188,726
CURRENT LIABILITIES			
Trade and other payables	*12*	**4,672,298**	3,549,231
Amount due to related companies		**14,742**	–
Derivative financial instruments		**–**	11,267
Tax payable		**326,923**	158,938
Bank borrowings		**6,025,745**	4,240,105
		11,039,708	7,959,541
NET CURRENT ASSETS		**3,023,116**	1,229,185
TOTAL ASSETS LESS CURRENT LIABILITIES		**32,250,085**	27,036,437

	2017	2016
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Bank borrowings	**9,051,959**	9,306,737
Deferred tax liabilities	**1,282,008**	906,735
	10,333,967	10,213,472
	21,916,118	16,822,965
CAPITAL AND RESERVES		
Share capital	**112,635**	113,642
Reserves	**21,803,483**	16,709,323
	21,916,118	16,822,965

NOTES:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

Except as described below, the application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Ccontracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[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
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the Group's consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Companies Ordinance.

3. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating and reportable segments under HKFRS 8 *Operating Segments*, based on information reported to the Company's executive directors, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance, which focuses on types of goods delivered. The Group's operating and reportable segments under HKFRS 8 – *Operating Segments* are as follows:

(i) Packaging paper – Kraft linerboard, test linerboard, coated duplex board, white top linerboard and high strength corrugating medium;

(ii) Pulp; and

(iii) Tissue paper.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

Year ended 31 December 2017

	Packaging paper *HK$'000*	Pulp *HK$'000*	Tissue Paper *HK$'000*	Segment Total *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE						
External sales	**23,102,581**	**15,593**	**2,718,710**	**25,836,884**	**–**	**25,836,884**
Inter-segment sales	**–**	**915,936**	**516**	**916,452**	**(916,452)**	**–**
	23,102,581	**931,529**	**2,719,226**	**26,753,336**	**(916,452)**	**25,836,884**
SEGMENT PROFIT	**6,039,601**	**3,126**	**515,002**	**6,557,729**	**–**	**6,557,729**
Net gain from fair value changes of derivative financial instruments						**9,960**
Unallocated income						**84,071**
Unallocated expenses						**(143,274)**
Finance costs						**(185,311)**
Profit before tax						**6,323,175**

Year ended 31 December 2016

	Packaging paper *HK$'000*	Pulp *HK$'000*	Tissue Paper *HK$'000*	Segment Total *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE						
External sales	17,034,048	303,086	1,004,543	18,341,677	–	18,341,677
Inter-segment sales	–	369,230	–	369,230	(369,230)	–
	17,034,048	672,316	1,004,543	18,710,907	(369,230)	18,341,677
SEGMENT PROFIT	3,293,194	23,454	86,003	3,402,651	–	3,402,651
Net gain from fair value changes of derivative financial instruments						7,412
Unallocated income						123,509
Unallocated expenses						(12,337)
Finance costs						(167,218)
Profit before tax						3,354,017

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of net gain from fair value changes of derivative financial instruments, rental income, interest income, net exchange gain (loss), finance costs and other unallocated administrative expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

As at 31 December 2017

	Packaging paper ***HK$'000***	**Pulp** ***HK$'000***	**Tissue Paper** ***HK$'000***	**Consolidated** ***HK$'000***
Segment assets	**32,086,459**	**1,892,725**	**6,295,886**	**40,275,070**
Unallocated assets				**3,014,723**
Consolidated total assets				**43,289,793**
Segment liabilities	**2,834,924**	**20,369**	**288,451**	**3,143,744**
Unallocated liabilities				**18,229,931**
Consolidated total liabilities				**21,373,675**

As at 31 December 2016

	Packaging paper *HK$'000*	Pulp *HK$'000*	Tissue Paper *HK$'000*	Consolidated *HK$'000*
Segment assets	27,675,990	1,673,196	3,832,763	33,181,949
Unallocated assets				1,814,029
Consolidated total assets				34,995,978
Segment liabilities	2,425,549	13,363	116,283	2,555,195
Unallocated liabilities				15,617,818
Consolidated total liabilities				18,173,013

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than investment properties, derivative financial instruments, margin deposits, bank balances and cash and other assets used jointly by reportable segments, and all liabilities are allocated to operating segments other than derivative financial instruments, tax payable, bank borrowings, deferred tax liabilities and other liabilities for which reportable segments are jointly liable.

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	2017 ***HK$'000***	2016 *HK$'000*
Packaging paper (including linerboard and corrugating medium)	**23,102,581**	17,034,048
Pulp	**15,593**	303,086
Tissue paper	**2,718,710**	1,004,543
	25,836,884	18,341,677

Geographical information

Over 92% (2016: 95%) of the Group's revenue were derived from external customers in the PRC.

Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Non-current assets	
	2017 ***HK$'000***	2016 *HK$'000*
The PRC other than Hong Kong	**27,080,950**	23,769,900
Socialist Republic of Vietnam ("Vietnam")	**2,128,625**	2,019,507
Hong Kong	**17,394**	17,845
	29,226,969	25,807,252

Information about major customers

None of the Group's customers contributed over 10% of the Group's total revenue for the current and prior reporting period.

4. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Value added tax and other tax refund	**479,460**	283,187
Income from supply of steam and electricity	**53,721**	74,606
Income from wharf cargo handling	**54,100**	53,876
Sales of materials and waste paper	**43,518**	45,597
Interest income from banks	**11,957**	18,005
Others	**148,915**	70,430
	791,671	545,701

5. OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Net foreign exchange (loss) gain	**(75,459)**	97,999
Net gain from fair value changes of derivative financial instruments	**9,960**	7,412
Loss on disposal of property, plant and equipment	**(7,082)**	(48,775)
Impairment loss reversed (recognised) on trade receivables	**3,160**	(24,884)
Write-off of trade receivables	**–**	(9,502)
	(69,421)	22,250

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on bank borrowings	**297,578**	346,337
Less: amounts capitalised to property, plant and equipment	**(112,267)**	(179,119)
	185,311	167,218

Borrowing costs capitalised during the year arose from the general borrowings and are calculated by applying a capitalisation rate ranging from 2.34% to 2.94% (2016: 3.30%) per annum to expenditures on qualifying assets.

7. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Income tax recognised in profit or loss:		
Current tax		
– The PRC Enterprise Income Tax ("EIT")	**913,361**	373,132
(Over) underprovision in previous year		
– The PRC EIT	**(910)**	(2,135)
– Hong Kong	**–**	361
Deferred tax		
– Charge to profit or loss	**370,432**	119,916
Total income tax recognised in profit or loss	**1,282,883**	491,274

The Group's profit is subject to taxation from the place of its operations where its profit is generated and is calculated at the rate prevailing in the relevant jurisdictions.

The PRC

The Group's subsidiaries in the PRC are subject to corporate income tax at the rate of 25% except that five (2016: five) of these subsidiaries are entitled to preferential rate of 15% for the Group's financial year ended 31 December 2017.

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No assessable profit was noted for both years.

Macau

The Macau subsidiaries incorporated under Decree-Law no. 58/99/M are exempted from Macau complementary tax (Macau income tax) as long as they comply with the relevant regulations and do not sell their products to a Macau resident.

Vietnam

The Vietnam subsidiaries are subjected to Vietnam Corporate Income Tax at a rate of 10%. They are entitled to a corporate income tax exemption for four years from the first profit-making year and a reduction of 50% for the following nine years. No provision for Vietnam Corporate Income Tax has been made for both years as the Vietnam subsidiaries incurred losses for both years.

Others

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. PROFIT FOR THE YEAR

	2017	2016
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	**37,894**	37,600
Staff salaries and other benefits, excluding those of directors	**1,158,979**	903,038
Contributions to retirement benefit schemes, excluding those of directors	**58,545**	48,718
Total employee benefit expense	**1,255,418**	989,356
Capitalised in inventories	**(722,162)**	(640,520)
	533,256	348,836
Auditor's remuneration		
– Audit services	**7,826**	6,486
– Non-audit services	**863**	1,595
Cost of inventories recognised as expense	**18,324,030**	14,261,143
Amortisation of prepaid lease payments	**19,104**	13,941
Depreciation of property, plant and equipment	**1,095,904**	926,756
Depreciation of investment properties	**13,467**	2,599
Total depreciation and amortisation	**1,128,475**	943,296
Capitalised in inventories	**(1,003,011)**	(864,342)
	125,464	78,954
Operating lease rentals in respect of land and buildings	**14,763**	10,825
Gross rental income from investment properties	**(21,828)**	(3,737)
Less:		
direct operating expenses incurred for investment properties that generated rental income during the year	**211**	–
direct operating expenses incurred for investment properties that did not generate rental income during the year	**454**	661
	(21,163)	(3,076)

9. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Dividends recognised as distribution:		
Final dividend of HK$0.110 in respect of the year ended 31 December 2016 (2016: final dividend of HK$0.095 in respect of the year ended 31 December 2015) per share	**496,830**	432,950
Interim dividend of HK$0.170 in respect of the year ended 31 December 2017 (2016: interim dividend of HK$0.110 in respect of the year ended 31 December 2016) per share	**767,829**	501,226
	1,264,659	934,176

A final dividend of HK$0.200 per share in respect of the year ended 31 December 2017 (2016: final dividend of HK$0.110 per share in respect of the year ended 31 December 2016) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit for the year of HK$5,040,292,000 (2016: HK$2,862,743,000) and weighted average number of 4,521,700,282 (2016: 4,569,900,468) shares in issue during the year.

No diluted earnings per share in both years was presented as there were no potential ordinary shares outstanding during both years.

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade and bills receivables of HK$4,656,150,000 (2016: HK$3,613,131,000).

The Group allows its customers an average credit period of 45 to 90 days. The following is an aged analysis of trade and bills receivables presented based on the invoice date.

	2017	2016
	HK$'000	*HK$'000*
Aged:		
Not exceeding 30 days	**3,821,859**	3,210,017
31–60 days	**645,979**	293,645
61–90 days	**125,958**	57,991
91–120 days	**31,758**	25,873
Over 120 days	**30,596**	25,605
	4,656,150	3,613,131

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of HK$3,129,001,000 (2016: HK$2,555,195,000).

The average credit period taken for trade purchases ranges from 30 to 120 days. The following is an aged analysis of the trade and bills payables presented based on the invoice date at the end of the reporting period.

	2017	2016
	HK$'000	*HK$'000*
Aged:		
Not exceeding 30 days	**1,227,564**	1,213,666
31–60 days	**642,141**	603,054
61–90 days	**537,183**	350,298
91–120 days	**690,208**	370,937
Over 120 days	**31,905**	17,240
	3,129,001	2,555,195

FINAL DIVIDEND

The Directors have proposed a final dividend of HK20.0 cents (2016: HK11.0 cents) per share for the year ended 31 December 2017 to shareholders whose names appear on the Register of Members on 17 May 2018. The final dividend is subject to approval by the shareholders in the forthcoming annual general meeting. It is expected that the final dividend will be paid around 29 May 2018.

CLOSURE OF REGISTER OF MEMBERS

In relation to the AGM

The annual general meeting (the "AGM") of the Company is scheduled to be held on 9 May 2018. For ascertaining shareholders' right to attend and vote at the AGM, the register of members of the Company will be closed from 4 May 2018 to 9 May 2018, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all completed transfer from accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 3 May 2018.

In relation to the proposed final dividend

The board of directors of the Company has resolved to recommend the payment of a final dividend of HK20.0 cents per share in cash for the year ended 31 December 2017 to shareholders whose names appear on the register of members of the Company on 17 May 2018 subject to the approval of the shareholders of the Company at the AGM. For ascertaining shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from 15 May 2018 to 17 May 2018, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 14 May 2018.

BUSINESS REVIEW AND OUTLOOK

For the year ended 31 December 2017, the Group recorded total revenue of HK$25.84 billion. Its annual net profit increased significantly by 76% to HK$5.04 billion as compared with last year, while its net profit per tonne was HK$913.

The Chinese government's efforts to eliminate obsolete production facilities while embarking on environmentally-friendly policies has gradually reduced overcapacity in the industry. The recovery of demand has also notably improved the demand and supply equilibrium within the industry. The price of paper has increased as a result of the surge in energy, raw materials and transportation costs. The overall increase in sales revenue as well as the value-added tax refund policy enabled the satisfactory growth in the Group's profit margin.

At present, the total annual production volume of the Group's tissue paper business is 685,000 tonnes, which includes ten tissue paper manufacturing machines with a total annual production volume of 465,000 tonnes in Chongqing Industrial Park, the two tissue paper manufacturing machines with a total annual production volume of 110,000 tonnes in Jiangxi Industrial Park and the two tissue paper manufacturing machines with a total annual production volume of 110,000 tonnes located in Dongguan Hongmei Industrial Park, Guangdong. The Group is able to further reduce the production cost of tissue paper through greater economies of scale, leveraging the increase in production volume and by utilising its pulp production facilities in Chongqing. Another two production lines with a combined annual production capacity of 110,000 tonnes located in the Chongqing Industrial Park are to commence production within this year. After all of the production lines ramp up operation, the Group's annual production capacity for tissue paper would reach 795,000 tonnes. The tissue paper business is therefore expected to contribute considerable profit to the Group as it becomes another new growth driver in the future.

Apart from the tissue paper business, the Group has also expanded into the overseas packaging paper markets and has invested in the construction of overseas paper factories to keep pace with the expansion of markets in Southeast Asia. Notable here is that the paper manufacturing machine project in Hau Giang, Vietnam, with an annual production capacity of 400,000 tonnes has begun operation. Since the overseas packaging paper market possesses enormous potential, the Group is considering directing more resources to this sector. The PM21 paper manufacturing machine with an annual production volume of 400,000 tonnes at the Jiangxi plant has also begun operation. The annual production capacity of the Group's packaging paper operation now exceeds 6 million tonnes.

In order to address overcapacity and environmental issues in the paper industry, obsolete production facilities have steadily been eliminated in China as approval standards for new production capacities have become more stringent in recent years. Local government authorities intend to impose stricter environmental monitoring policies and requirements on environmental protection, which will lead to the shutdown of even more obsolete production facilities that fail to meet environmental protection standards. Despite the slowdown in economic growth in China, local demand for packaging paper is expected to grow steadily in the long run. In addition, the rapid development of e-commerce and online shopping has led to fundamental changes in consumption and logistics models, benefitting the packaging paper industry which is currently undergoing consolidation. Looking ahead, overall paper consumption still possesses considerable room for growth, thus the Group is optimistic about the outlook of both the packaging paper segment and the paper industry as a whole.

Adhering to its long-held prudent strategies and with debts maintained at a reasonable level, the Group will monitor the pace of economic development in China and across Southeast Asia, while it continues to bolster the production capacity of packaging and tissue paper, as well as strengthen its presence in Vietnam. The management will also proceed with efforts to enhance production efficiency, strictly control costs and strengthen capital operation in order to maintain the Group's competitiveness in the paper industry. Furthermore, the experienced and capable management team will continue to lead the development of the Group's businesses and strive its utmost to raise profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operation

Revenue and net profit attributable to owners of the Company for the year ended 31 December 2017 was HK$25.84 billion and HK$5.04 billion respectively, while its net profit per tonne was HK$913.

The earnings per share for the year was HK111.47 cents when compared with HK62.64 cents for the year ended 31 December 2016.

Distribution and Selling Expenses

The Group's distribution and selling expenses was HK$435 million for the year ended 31 December 2017 as compared to HK$252 million for the year ended 31 December 2016. It represented about 1.7% of the revenue for the year ended 31 December 2017 and was increased as compared to about 1.4% for the year ended 31 December 2016. More customers required delivery of the finished goods by the Group during the year.

General and Administrative Expenses

The Group's general and administrative expenses was HK$1,292 million for the year ended 31 December 2017 as compared to HK$875 million for the year ended 31 December 2016. It represented about 5.0% of the revenue for the year ended 31 December 2017 and was increased as compared to that of 4.8% for the year ended 31 December 2016 as a result of the expansion of the Group during the year.

Finance Costs

The Group's total finance costs (including the amounts capitalised) was HK$298 million for the year ended 31 December 2017 as compared to HK$346 million for the year ended 31 December 2016. The decrease was mainly due to the decrease in average interest rate on bank borrowings during the year.

Inventories, Debtors' and Creditors' Turnover

The inventory turnover of the Group's raw materials and finished products were 78 days and 18 days, respectively, for the year ended 31 December 2017 as compared to 85 days and 3 days, respectively, for the year ended 31 December 2016.

The Group's debtors' turnover days were 44 days for the year ended 31 December 2017 as compared to 42 days for the year ended 31 December 2016. This is in line with the credit terms of 45 days to 90 days granted by the Group to its customers.

The Group's creditors' turnover days were 68 days for the year ended 31 December 2017 as compared to 80 days for the year ended 31 December 2016. This is in line with the credit terms granted by the Group's suppliers.

Liquidity, Financial Resources and Capital Structure

The total shareholders' fund of the Group as at 31 December 2017 was HK$21,916 million (2016: HK$16,823 million). As at 31 December 2017, the Group had current assets of HK$14,063 million (2016: HK$9,189 million) and current liabilities of HK$11,040 million (2016: HK$7,960 million). The current ratio was 1.27 as at 31 December 2017 as compared to 1.15 at 31 December 2016.

The Group generally finances its operations with internally generated cash flow and credit facilities provided by its principal bankers in Hong Kong, Macau and the PRC. As at 31 December 2017, the Group had outstanding bank borrowings of HK$15,078 million (2016: HK$13,547 million). These bank loans were secured by corporate guarantees provided by certain subsidiaries of the Company. As at 31 December 2017, the Group maintained bank balances and cash of HK$2,249 million (2016: HK$1,274 million). The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) decreased from 0.73 as at 31 December 2016 to 0.59 as at 31 December 2017. Capital expenditure was comparable to last year but there was an increase in translation reserve as a result of Renminbi appreciation during the year.

The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

The Group's transactions and the monetary assets are principally denominated in Hong Kong dollars, Renminbi, United States dollars or Euro. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year ended 31 December 2017. The Group has used currency structured instruments, foreign currency borrowings or other means to hedge its foreign currency exposure.

Employees

As at 31 December 2017, the Group had a workforce of more than 7,500 people. Salaries of employees are maintained at competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. The Group also provides internal training to staff and provides bonuses based upon staff performance and profits of the Group.

The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year, the Company repurchased a total of 33,196,000 shares of HK$0.025 per share through the Stock Exchange at an aggregate consideration of approximately HK$234,217,000 (including transaction costs). The shares repurchased were subsequently cancelled. Details of shares repurchased during the year are set out as follows:

Month	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration paid (including expenses)
		HK$	*HK$*	*HK$'000*
March	11,213,000	6.29	5.87	69,927
April	2,792,000	5.90	5.86	16,525
May	7,955,000	6.10	6.01	48,350
November	7,480,000	8.84	8.57	65,789
December	3,756,000	8.99	8.84	33,626
Total	33,196,000			234,217

The Board believes that repurchases of shares are in the best interests of the Company and its shareholders and that such repurchases of shares would lead to an enhancement of the earnings per share of the Company.

Save as disclosed above, neither he Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The Board of the Company believes that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding and maximising shareholders' interests. During the year under review, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

The objectives of the management structures within the Group, headed by the Board and led by the Chairman, are to deliver sustainable value to Shareholders.

The Chairman provides leadership to and oversees the effective functioning of the Board. With support of the Chief Executive Officer and the Company Secretary, the Chairman approves Board meeting agenda, and ensures Directors have proper briefing, and timely receive adequate and reliable information, on all Board matters.

The role of the Chairman is separate from that of the Chief Executive Officer, and different persons hold the separate offices. Chief Executive Officer heads the management and focuses on the day-to-day operations of the Group.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the Group's consolidated financial statements for the year ended 31 December 2017, the accounting principles and practices adopted and discussed auditing, internal controls and financial reporting matters.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as a code of conduct regarding directors' securities transactions in 2004. All the members of the Board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2017. The Model Code also applies to other specified senior management of the Group.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on 9 May 2018. The Notice of the Annual General Meeting will be published in the Company's website and sent to the shareholders of the Company in due course.

On behalf of the Board
Lee Man Chun Raymond
Chairman

Hong Kong, 28 February 2018

As at the date of this announcement, the board of directors of the Company comprises three executive directors, namely Dr Lee Man Chun Raymond, Mr Lee Man Bun and Mr Li King Wai Ross, one non-executive director namely Professor Poon Chung Kwong, three independent non-executive directors, namely Mr Wong Kai Tung Tony, Mr Peter A Davies and Mr Chau Shing Yim David.