

Digital VS Paper – How a Printing Company Stays Successful in the Digital Age

The Secret Lies in Stringent Corporate Governance Practices, According to Leo Paper

電子·紙張 — 紙品業者如何在數碼世代保持成功
利奧紙品：秘訣是嚴格的企業管治措施

Cora Wan 溫旭兒



The Board of Leo Paper Group was an Awardee of Directors Of The Year Awards 2018 bestowed by The Hong Kong Institute of Directors to honour their outstanding performance in corporate governance which is reflected in the company's success. Furthermore, in 2018, the Group became the first private company in Hong Kong to obtain the HKQAA Green Finance Certificate, and signed a HKD350 million green loan with a group of seven leading banks.

The Hong Kong Institute of Directors had a wonderful opportunity to speak to Mr Leung Chun Wah, Chairman and Co-Founder of the Group, and Mr Lai King Lung, the Group CFO as well as Managing Director in the Group Packaging Business. Their insights and experiences in Leo Paper Group are inspiring and certainly useful for up-and-coming companies that are interested in bettering their corporate governance practices.

Thriving for almost four decades, Leo Paper Group is still a leader in paper products design and production, with operations based in Hong Kong and China and footprints all around the globe, such as the US, the UK, and Europe. With a major production base in China, Leo Paper specialises in five paper product verticals: paper bags, gift items, books, packaging, and games.

High ethical principles

The secret to the Group's success is a dedication to stringent corporate governance practices, according to Mr Leung. He recalled that from the early days, they have already decided to benchmark the highest standards and adopt a lot of management principles of a publicly traded company.

Naturally, there are pros and cons to this approach. One disadvantage is the higher costs of setup, due to the need to employ the top accounting and law firms, which comes with premium rates. However, as Mr Lai pointed out, there are also cost-savings, which only become apparent in the long run. For example, banks are likely to trust the company and are more willing to offer competitive rates as if it is a public company, since they know the company is operating on stringent standards.

▶
Mr Leung Chun Wah,
Chairman and Co-Founder
of the Group

集團主席兼共同創辦人
梁鎮華先生



Furthermore, other companies will recognise and remember the company for its quality. Mr Leung said, “20 years ago the Group was asked by a client to develop a code of conduct for its internal operations, such as standards for wages and holidays for their employees. Back then there was no such thing in China.” But Mr Leung and his fellow board members felt that it was an excellent idea because they believed it was important to treat their employees well. Despite having to invest a significant amount of capital into establishing a code of conduct for the company, the Group was eventually rewarded by their investment when they became the first batch of companies to be recognised and chosen by Disney Inc. for their best practices. Mr Leung advised that just spending the money isn't enough; “you still need the heart to do it and carry it out successfully”.

Mr Leung believes that it is important to follow the “Golden Rule”: “do unto others as you would have them do unto you”. For example, if a product did not follow the product safety regulations and standards, innocent customers would be harmed. The reputation of the company and the product would be adversely affected, resulting in fewer sales and potential drop in share price. A study¹

analysing companies' ethical reputation, financial performance, and stock market return suggests that improved ethical performance was accompanied by improved financial performance.

Further, Forbes in 2007 reported that employees who are satisfied with their working environment are more productive than those who are unhappy. Even in this age of increasing automation, people of talent are important to the success of the company.

Diversifying the Business

Leading management consultancy McKinsey pointed out that while the paper and forest-products industry is growing, though at a slower pace than before, industry trends indicate that there is a drastic change in market segments, as the graphic-paper market² continues to face a declining demand worldwide. In particular, the demand for packaging is predicted to rise substantially.

The diversification of products helped Leo Paper in staying relevant and sustainable in an increasingly digital age. Leo Paper was originally known for its deluxe paper giftbags. “I noticed people in the US prefer to put gifts in bags

rather than wrap them in gift paper, due to their driving culture,” Mr Leung explained. Leo Paper sold their paper giftbags to the US market and became profitable. In around 1991, Mr Leung decided to diversify the company’s product range to children’s books, even though the paper giftbag business was still booming. Over the years, the company developed five main categories of products, with the unifying quality of being paper-based. Mr Lai advised that, “Having a diverse product range is important, but it is also equally important that the products should have a unifying quality so that they would make sense in the overall company strategy.”

Environmental and Social Governance

Paper product companies face environmental issues because of the resource-intensive nature of their industry, such as over-logging of forests for raw materials, extensive water consumption and air pollution due to high energy usage. With rising concern on climate change, there is an increasing trend towards ensuring sustainability in the industry, such as reducing clear-cutting, water use and greenhouse gas emissions.

One sustainable practice in the industry that Leo Paper adopts is the promotion

and support of forest certification, such as the Forest Stewardship Council and Program for the Endorsement of Forest Certification, and Canadian Standards Association, in the sourcing of paper. Mr Lai pointed out, “for one tree that is chopped down to make wood, seven more are planted. One can even trace the paper back to the forest it came from.”

Furthermore, to issues of environmental governance, Mr Lai said, “Out of the raw materials used in most consumer products, paper is the most environmentally-friendly and most recyclable option. Other raw materials, such as plastic, cloth, and metal, cannot be completely recycled, whereas paper, even soiled paper, can be turned into something else, such as egg cartons or paper construction boards.” Indeed, virgin paper can now be recycled around five to seven times before the fibres become too degraded to be useful, and the US Environmental Protection Agency found that recycling paper creates 35% less water pollution and 34% less air pollution than making virgin paper.

Regarding other sustainable practices, Mr Leung recalled, “In 1991, the company had already implemented industrial water treatment facilities to treat the water used in the production processes.” This occurred at a time when

other factories in China were releasing polluted industrial water into streams and rivers to save on costs, causing environmental damage with long-lasting consequences. Leo Paper, however, chose to cut costs on reusing energy. Mr Leung explained how residual heat from producing ice for air conditioning was used at the production plant to heat up water for onsite employees’ showers. “In this way, the company was able to capture up to 90% of the energy used in the plant’s ecosystem.”

Impact of Megatrends

The topic on the development of the Greater Bay Area in China concerns many Hong Kong companies in a variety of industries, with another major topic of concern being the increase in automation.

“The discovery of more talent will be an important opportunity,” Mr Lai said about the development of the Greater Bay Area. Although trends have shown an increase in automation in manufacturing, the need for talent still exists. “We have begun the automation process a while ago, but we still need people to design these automation processes and machines,” Mr Leung explained. Similarly, Deloitte Insights indicate that it is critical to identify and train people with the skills required to make the next generation of automation technology successful.

A trend specific to the printing industry is the gradual adoption of paperless products, such as e-books and e-magazines. Analysis on the pulp and paper industry has revealed that while digitalisation has reduced the consumption of graphic paper products, or what Mr Lai referred to as “information-based products” such as newspapers, the decline is also counterbalanced by the increase in demand for packaging and



◀ **Mr Lai King Lung,**
the Group CFO and
Managing Director in
the Group Packaging
Business

財務總監兼包裝業務總部
董事總經理黎景隆先生

2018年度傑出董事獎得獎者專訪

hygiene-related products. Mr Lai explained, “Products that are for entertainment or decorative purposes will not be phased out. People will still buy products such as paper cards for important occasions.”

Mr Lai also pointed out, “E-books would not be able to replace children’s books. Parents are worried about their children becoming addicted to screens at a young age, so they are less likely to give an iPad to their children even for educational purposes. Instead, parents are more likely to give their children physical books.” Mr Lai predicted that the 2-child policy recently implemented in China would further help increase the demand for children’s books.

Future focus

Having a long-term developmental strategy greatly contributes to the sustainability of a company. According to McKinsey, boards of paper product companies should focus on innovation, commercial excellence, and talent management, as the industry is not particularly fast-paced in developing innovation, and it is important for paper product companies to focus on value creation instead of primarily focusing on sales volume. Mr Leung agreed with the analysis: “I think we need to focus more on innovation, whether it is innovation in product range, production process or material development.” Mr Lai concurred, “Even though we dedicate resources to conduct market research and strive to be competitive, there is always room to increase competitiveness.”

Secret to Success

From being the first private company in Hong Kong to obtain green loan to receiving multiple environmental accreditations, Leo Paper Group is an example of how to thrive in an industry faced with a variety of societal and environmental challenges.

It is important for the company board to be invested in embedding sustainability as the cornerstone in its management decisions. McKinsey highlighted the three pillars of sustainability for success: environmental, operation, and social sustainability. Leo Paper exemplifies the commitment to these pillars while cascading it to every level of the company.

With increasingly more challenges in today’s world, such as rising energy costs and talent shortages, adopting stringent corporate governance practices not only creates sustainability, it also helps to avoid costs and capture opportunities to create



▲ The Board of Leo Paper Group received its Directors Of The Year Awards 2018 presented by Ir Edmund Leung, Deputy Chairman of HKIoD (at the centre).

利奧紙品集團董事會於香港董事學會副主席梁廣瀨工程師（中間）接過「2018年度傑出董事獎」獎座。



▲ Mr Leung gave the acceptance speech on behalf of The Board of Leo Paper Group.

梁先生代表利奧紙品集團董事會發表得獎感言。

value. As consumers and regulators are demanding more responsibility from companies by their purchasing choice and imposing tighter regulations, best practices help to future-proof the company and save costs. 

- 1 Published in the Journal of Business Ethics by Faye A. Elayan, Jingyu Li, Zhefeng Frank Liu, Thomas O. Meyer and Sandra Felton (“Changes in the Covaleance Ethical Quote, Financial Performance and Financial Reporting Quality”)
- 2 On the basis of product type, paper industry is segmented into three groups: graphic paper, packaging paper and sanitary paper. Graphic papers are used for communication purposes. They include two main paper grade types: printing and writing papers and newsprint.

利奧紙品集團的董事會榮獲香港董事學會頒發「2018年度傑出董事獎」，以表揚其卓越的企業管治表現，而卓越的企業管治正正是利奧紙品的成功依歸。在2018年，集團更成為香港首間獲得香港品質保證局綠色金融認證的私營公司，跟七間主要銀行簽署總值3.5億港元的綠色貸款。

香港董事學會很榮幸跟集團主席兼共同創辦人梁鎮華先生及財務總監兼包裝業務總部董事總經理黎景隆先生談話。二人的見識和經驗甚具啟發性，肯定讓有意加強企業管治的後輩公司借鑑。

四十年來，利奧紙品集團一直蓬勃發展，至今依然是紙品設計和生產的龍頭，除了在香港和中國經營還將業務擴展至全球各地，包括美國、英國及歐洲。利奧以中國為主要基地，專營五種紙品：紙袋、禮品、書本、包裝及遊戲。

崇高的道德原則

梁先生表示，集團的成功秘訣是竭力推行嚴格的企業管治措施，公司在創立初期已矢志達到最高標準，此外還採取上市公司的多項管理原則。

此方針自然有利亦有弊，其中一項弊端是創立成本較高，這是因為需要聘請收費不菲的頂尖會計和律師行。不過，黎先生表示成本亦得以節省的地方，只不過是長遠才體現出來。舉例來說，銀行會因為公司按照嚴格標準經營而加以信任，願意提供上市公司享有的較低利率。

Leo Paper Group became the first private company in Hong Kong to obtain the HKQAA Green Finance Certificate.

利奧紙品集團為香港首間獲得香港品質保證局綠色金融認證的私營公司。

此外，其他公司會因為該公司優秀而對之認同及信任。梁先生表示：「二十年前，有一位客戶建議集團制定內部營運行為守則，例如工資標準及員工假期。當時內地公司尚未有這一套。」梁先生和董事會的其他成員認為這個主意很好，因為他們相信善待員工十分重要。儘管制定行為守則會涉及大額投資，但後來當集團因為奉行最佳實務而成為首批獲迪士尼公司認同及甄選的公司，這些投資得到了回報。梁先生表示單單花費金錢並不足夠，「您還需要用心推行以致成功執行」。

梁先生認為遵照「恕道」十分重要：「己所不欲，勿施於人」。例如，若某產品不符合安全規例和標準，無辜的顧客會蒙受損害，公司和產品的聲譽會受到不利影響，結果令銷量下降，公司股價亦有可能下跌。一項分析公司道德聲譽、財務表現和股市回報的研究¹顯示，道德表現提昇和財務表現改善往往一同出現。

此外，福布斯於2007年報告，滿意工作環境的員工生產力會較高。即使在自動化日趨普及的當今年代，人才對公司的成功仍十分重要。

業務多元化

領先的管理諮詢公司麥健時指出，紙品與林木產品業正在增長（步伐比以前慢）。個別紙品類別發展各異，繪圖紙（辦公室、商業通訊用紙）市場²繼續面對全球需

求下降而出現巨變，而包裝需求則將大幅上升。

產品多元化有助利奧在日趨數碼化的年代緊貼趨向及持續發展。公司最初以生產奢華禮品紙袋馳名。梁先生解釋說：「在美國，我注意到基於駕車文化，人們喜歡將禮物放入袋裡而不是用禮物紙包裹。」利奧紙品成功向美國市場銷售禮品紙袋。在1991年左右當禮品紙袋生意仍在擴展，梁先生決定將公司的產品類別作多元化，進而生產兒童讀本。多年來，公司研發出五類主要紙本產品，每類產品均貫徹優良質量。黎先生表示：「產品多元化十分重要，但產品貫徹質量優良同樣重要，以配合公司的整體策略。」

環境及社會管治

紙張產品是資源密集產業，故此面對環境問題，例如為獲取原材料而伐林、大量耗水、使用大量能源而造成空氣污染。由於氣候變化日益喚起關注，業界日益普遍採取措施以確保可持續發展，例如減少伐木、用水和溫室氣體排放。

利奧紙品的其中一項可持續發展措施是在紙張採購方面推廣和支持森林認證，例如森林管理委員會的認證、森林驗證認可計劃和加拿大標準協會認證。黎先生表示：「我們每砍一棵樹木取用木材，便栽種七棵，這些紙張可追溯來自哪個森林。」



環境管治方面，黎先生表示：「消費產品採用的原材料之中以紙張最環保，亦是最能夠循環再用的材料。塑膠、布料和金屬等其他原材料不能完全循環再用，但紙即使弄污了也可再製成其他東西，例如蛋盒或建築紙板。」誠然，原生紙現在可以循環再用五至七次，纖維才變差得不能再。美國國家環境保護局發現較諸生產原生紙，生產再生紙可以減少35%水污染及34%空氣污染。

至於其他可持續措施，梁先生回憶說：「在1991年，公司已採用工業水處理設施來處理用於生產流程的水。」當時，中國的其他工廠為節省成本而將受污染的工業廢水排入溪澗和河流，造成後果長久不能消除的環境損害。不過，利奧紙品選擇循環再用能源來節省成本。梁先生解釋如何利用空調製冷的餘熱將水加熱，供駐廠房的員工淋浴。他說：「這樣可讓公司循環再用廠房生態系統的90%能源。」

大趨向的影響

中國粵港澳大灣區的發展跟香港各行各業息息相關，亦是自動化日趨普及的另一重要議題。

黎先生談及大灣區的發展時表示：「發掘更多人才帶來重要機會。」雖然製造業自動化日益普及，但人才需求依然存在。梁先生解釋說：「我們開始自動化流程已有一段時間，但這些自動化流程和機器依然

需要由人來設計。」同樣，《德勤新視界》指出，要新一代自動化科技成功，必須物色具備所需技能的人及培訓這方面的人才。

印刷業獨有的趨向是漸漸採用無紙產品，例如電子書和電子雜誌。根據一項紙漿及紙業分析，數碼化減少了繪圖紙產品的消耗（即黎先生所指的「資訊產品」，例如報紙），但包裝及衛生產品需求增加抵銷了這方面的需求減降。黎先生解釋說：「娛樂或裝飾產品永遠不會被淘汰，在重要節日或慶典，人們依然會購買紙本賀咭等產品。」

黎先生又指出：「電子書不會取代兒童讀本。父母擔心子女在年幼時過份沉迷於螢光幕，故即使供學習用途亦不會讓子女使用iPad，反而有更大可能讓子女閱讀實體書。」黎先生預測中國近期實施兩孩政策會有助進一步增加兒童讀本的需求。

未來焦點

制定長遠發展策略對公司的可持續發展有很大幫助。根據麥健時，紙品公司的董事會應該專注於創新、商業卓越及人才管理。這是因為業界的創新步伐並不特別快，故紙品公司必須將焦點放在開創價值而非著意提高銷量。梁先生同意此分析。他說：「我認為我們需要更專注於創新，不管是產品種類、生產流程或材料研發。」黎先生同意，他說：「即使運用資源進行市

場研究以保持競爭力，我們永遠有方法加強競爭力。」

成功秘訣

從首間獲批綠色融資以至首間獲多項環境認證的香港公司，利奧紙品集團都是業內在各種社會環境挑戰下依然蓬勃發展的好例子。

公司董事會必須投資於追求可持續發展，作為管理決策的基石。麥健時特別提述讓公司可成功持續發展的三大支柱：環境、營運及社會可持續性。利奧紙品集團致力推廣這些支柱並應用到公司的每個階層。

在能源成本上升和人才短缺等挑戰不斷湧現的當今世代，採用嚴格的公司管治措施不單止能形成可持續發展的條件，還有助減低成本及把握創造價值的機會。隨著消費者和規管當局分別藉著選購權和加強規管要求公司承擔更多責任，最佳實務有助公司能夠面對未來的環境及節省成本。🔗

1 刊於《商業倫理》期刊，作者包括Fayez A. Elayan、Jingyu Li、Zhefeng Frank Liu、Thomas O. Meyer 及 Sandra Felton（「《Changes in the Covalece Ethical Quote, Financial Performance and Financial Reporting Quality》」）

2 紙業可以根據產品類別細分為三類：繪圖紙、包裝紙和衛生紙。繪圖紙是用作傳訊用途，按級別再分為兩大類：印刷與書寫用紙及新聞紙。



The 21st Century

DIRECTOR

廿一世紀

董事

Sponsored by 贊助機構：

Corporate Governance
Development Foundation Fund
企業管治發展基金



Publisher 出版機構

The Hong Kong Institute of Directors 香港董事學會

Sponsor 贊助機構

Corporate Governance Development Foundation Fund 企業管治發展基金

Publishing Board 出版委員會

Mr Stanley Mok (Chairman) 莫兆光先生 (主席)
Ms Bonnie S Y Chan 陳心愉女士
Mrs Margaret S Leung 梁甘秀玲女士
Mr Richard Tsang 曾立基先生
Dr Carlye Tsui 徐尉玲博士

Project Management 項目統籌

Executive Office, The Hong Kong Institute of Directors
香港董事學會行政處

For enquiries about circulation and advertisement, please contact:

有關發行及廣告查詢，請聯絡：
Chief Business Officer: Ms Miriam Yee
業務總監：余海恩小姐

For editorial enquiries, please contact:

有關編輯上的查詢，請聯絡：
Associate Manager, Communication & Projects: Ms Moni Ching
傳訊及項目副經理：程穎嫻小姐

Tel 電話：+852 2889 1414

Fax 傳真：+852 2889 9982

Email 電郵：magazine@hkiod.com

Editor 編輯

Ms Cora Wan 溫旭兒小姐

The Hong Kong Institute of Directors 香港董事學會

Patron 贊助人

The Hon Mrs Carrie Lam Cheng Yuet-ngor GBM GBS 林鄭月娥行政長官

Hon President & Founding Chairman 榮譽會長兼創會主席

Dr the Hon Moses Cheng GBM GBS OBE JP 鄭慕智博士

Past Chairmen 前任主席

Dr Herbert H M Hui JP (Deceased) 許浩明博士(已故)
Mr Peter S H Wong MBA 黃紹開先生
Dr Kelvin Wong JP DBA 黃天祐博士

Council 理事會 (2018-2019)

Chairman 主席：

Mr Henry Lai 賴顯榮律師

Deputy Chairmen 副主席：

Mr George Magnus BBS OBE MA(Cantab) 麥理思先生
Ir Edmund K H Leung SBS OBE JP 梁廣灝工程師
Dr David Wong GBS JP 黃友嘉博士
Dr Christopher To 陶榮博士

Treasurer 司庫：

Mr Man Mo Leung 文暮良先生

Immediate Past Chairman 卸任主席：

Dr Kelvin Wong JP DBA 黃天祐博士

Chief Executive Officer 行政總裁：

Dr Carlye Tsui BBS MBE JP 徐尉玲博士

Council Members 理事會成員：

Ms Bonnie S Y Chan 陳心愉女士
Dr Leonard S K Chan 陳新國博士
Mr Vincent Chan 陳永誠先生
Mr Hamilton Cheng 鄭炳熙先生
Dr Charles Cheung JP MBA DBA (Hon) 張惠彬博士
Dr Justin K H Chiu 趙國雄博士
Mr George Hongchoy 王國龍先生
Mr Randy Hung 孔敬權先生
Mr Ip Shing Hing JP 葉成慶律師
Mr Carmelo Lee JP 李嘉士律師
Mrs Margaret S Leung 梁甘秀玲女士
Mr Ka-Yin Li 李家彥先生
Mr Liu Tingan 劉廷安先生
Mr William Lo 羅志聰先生
Ir Prof John Mok 莫建輝教授
Mr Stanley Mok 莫兆光先生
Ms Cynthia Y S Tang 鄧宛舜女士
Mr Richard Tsang 曾立基先生
Mr Jim Wardell 詹華達先生
Mrs Alison F Y Wong 黃李鳳英女士
Mr Huen Wong BBS JP 王桂嫻律師
Dr Anthony Yeung 楊俊偉博士
Dr Linda Y W Yung 翁月華女士

《廿一世紀董事》同時可於網上閱覽

The 21st Century Director is also available at

<http://www.hkiod.com/21century.html>

ISSN 1996-9619

The 21st Century Director is the official magazine of The Hong Kong Institute of Directors. All rights reserved. No part of this magazine may be reproduced or stored in or introduced into a retrieval system, or transmitted, in any form or by any means (electronic, mechanical, photocopying, recording or otherwise), without the prior written permission of the publisher and/or the copyright owner of this magazine. Quotation of short passages of the magazine for the purposes of review and education is allowed provided that it is made with explicit reference to the source and publisher. Neither the magazine nor the publisher accepts liability for any views, opinions or advice expressed by writers and interviewees of articles. The contents of the magazine do not necessarily reflect the views or opinions of The Hong Kong Institute of Directors or the members of the Institute and no liability is accepted in relation thereto. This magazine includes articles that have been invited from or contributed by authors. While such articles present the views of the respective authors, these articles may not necessarily represent the views of the Publishing Board of the magazine or The Hong Kong Institute of Directors. It is the intention of the Institute to present views from various perspectives, which may inspire thinking and generate constructive discussions.

《廿一世紀董事》是香港董事學會的官方雜誌。本雜誌所有出版內容的版權為香港董事學會所有。未經出版人及/或版權擁有人書面同意，本雜誌所有內容一律不得以任何形式或以任何工具(電子、機械、影印、錄製或其它工具)翻印、儲存或引進於檢索系統或傳送。本雜誌內容可供摘要引述以作研討或教育用途，但必須註明出處或出版人。本雜誌及出版機構不會為雜誌內作者及被訪者所表達的觀點、意見或建議負責任。雜誌的內容並不一定反映香港董事學會或學會會員的觀點及意見，學會與會員均不因此而負上任何責任。本雜誌收錄邀約作者及供稿作者的文章，然而這些文章表達了其作者的觀點，卻不一定代表雜誌出版委員會或香港董事學會的觀點。學會的用意是容納多角度的意見，這或可啟發思考及產生具建設性的討論。

© The Hong Kong Institute of Directors 香港董事學會 © 版權所有

The Hong Kong Institute of Directors is Hong Kong's premier body representing directors to foster the long-term success of companies through advocacy and standards-setting in corporate governance and professional development for directors.

香港董事學會為香港代表專業董事的首要組織，其宗旨是促進所有公司的持久成就；為達成使命，學會致力提倡優秀企業管治與釐訂相關標準，以及協助董事的專業發展。

The Hong Kong Institute of Directors Executive Office 香港董事學會行政處

2104 Shanghai Industrial Investment Building, 48 Hennessy Road, Wan Chai, Hong Kong 香港灣仔軒尼詩道48號上海實業大廈2104
Tel 電話：(852) 2889 9986 Fax 傳真：(852) 2889 9982 E-mail 電郵：executive@hkiod.com