LION ROCK GROUP LIMITED
獅子山集團有限公司
STOCK CODE:1127

ANNUAL REPORT 2022

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The record-breaking results we achieved in 2022 are a testament to the soundness of our strategy and the prudent execution by our management team.

CHAIRMAN'S STATEMENT

We have made significant progress on our strategy of geographic diversification and vertical integration with the acquisition of assets of Griffin Press, a leading Australian book printing printer, and the consolidation of Quarto, a renowned international publisher, as a subsidiary of our Group. These strategic moves have strengthened our market position in the global book market. The record-breaking results we achieved in 2022 are a testament to the soundness of our strategy and the prudent execution by our management team.

The Board continually evaluates our strategic position in the market, taking into account the changing dynamics and trends in the industry. We maintain our view on print manufacturing in China, as we believe that China has a strong competitive advantage in the book printing market in the short to medium term. However, we recognize that in the long term, the competitive landscape will shift, as printers in South-East Asia improve their infrastructure and close the capability gap in their upstream and downstream supply chains.

Left Field Printing, our subsidiary, successfully completed the acquisition of Australia based Griffin Press in June 2022. Although the acquisition deviates from with our preferred asset-light model, it creates a strong synergy with Left Field, making the combined operation the largest book printing group in Australia. We are committed to investing in increasing our capacity and diversifying our paper supply sources to provide quality services to our customers in the ANZ region.

We have strengthened our Board composition by appointing Mr. Ho Tai Wai, David as an independent non-executive director in Dec 2022. David is a finance and accounting veteran, with over 40 years of experience across various industries and markets. He is also a board member of Left Field Printing and Build King Holdings, both of which are listed on the Hong Kong Stock Exchange. His knowledge and expertise will be a great asset as we strive to achieve our strategic ambitions.

We are pleased to propose a final dividend of 7 cents per ordinary share and a special dividend of 3 cents per ordinary share, giving a full year dividend of 13 cents per ordinary share. This reflects our improved performance, our confidence in our long-term prospects, and our commitment to delivering sustainable returns to our shareholders. I would also like to express my sincere gratitude to our colleagues for their hard work and dedication. They have shown the "can-do" spirit of Lion Rock and achieved an outstanding set of results in challenging times.

YEUNG KA SING
Chairman
Hong Kong, 31 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group had an outstanding performance in 2022, despite facing a challenging book market and a volatile supply chain. Both our top-line and bottom-line results broke records, helped by the acquisition of Griffin Press in Australia and Quarto becoming a subsidiary of the Group.

The Group's revenue increased by 44% to $2,496 million (2022: $1,738 million). Profit after tax increased by 101% to reach $285.8m (2021: $142.0m). This impressive financial result is a testament to the successful implementation of our long-term strategy of vertical integration and geographical diversification.

The global book market experienced a period of normalization during the year, with consumers shifting their spending away from discretionary purchases such as books to essential items like food and fuel. The US book market, the largest in the world, saw a 5.8% decrease y-o-y in printed book units sold as reported by NPD BookScan. The global book demand has returned to pre-COVID levels.

We also faced extreme swings in demand and supply chain disruptions during the year. In Q1 2022, there was an unprecedented demand for our print services as major retailers stocked up on inventory. However, this was followed by a significant decline in print order in the second half as these retailers were left with excess inventory which they had to re-balance.

The onshoring trend for print services continued as publishers in the West opted for local solutions to counter the impact of high freight costs and service interruptions. However, with shipping costs dropping 80% from the peak and supply chain issues subsiding, print services in the Far East might become an economically attractive proposition for small to medium sized publishers again.

A. PRINT MANUFACTURING

1010 Printing, China manufacturing and international sales operations:

Sales turnover for 1010 Printing declined by 11% year-on-year due to a weakened global book market and the onshoring trend of print orders. However, the division achieved record profits due to improvements in margin resulting from operational efficiency enhancements and our "smart" procurement practice.

Left Field Printing Group, Australia manufacturing:

Left Field Printing saw a 30% year-on-year increase in sales turnover due to the acquisition of Adelaide based Griffin Press in June 2022. While the integration of Griffin into Left Field is taking longer than anticipated, the strategic benefit of creating the largest book printing group in Australia is becoming increasingly apparent. The enlarged business will provide enhanced services through greater utilization of equipment, additional investment in print capacity, and assurance of local printing. We are confident that the division will deliver improved operational and financial performances in the near future.

COS/Papercraft, Singapore & Malaysia manufacturing:

Sales turnover for COS/Papercraft dropped by 18%. The performance of the division has been disappointing in the past few years. In an effort to revitalize the division, we took the difficult decision to close printing operations in Singapore and transfer the production facilities to Malaysia. This measure will enable us to realize significant cost savings.

B. PRINT SERVICES MANAGEMENT

APOL Group, international sales operations:

APOL Group's sales turnover experienced a slight reduction of 3% after several large-scale projects concluded in 2021. Despite the decrease in top-line, margin and profitability have slightly improved. The division expects a challenging year in 2023.

Regent, Hong Kong sales operation:

Regent's net profit reached an all-time record in 2022 mainly due to strong performance in the US market. Although the stationary sector continued to be affected by tariffs, the division has become the preferred choice for many small to medium US publishers who have been elbowed out of local print capacity by bigger publishers.

C. CREATIVE PUBLISHING

The Quarto Group

Quarto experienced a 7% decline in revenue largely due to the discontinuation of two non-core businesses. With a now more balanced and focused portfolio of B2B and B2C businesses, the new management team appointed in early 2022 is expected to deliver more exciting publishing programmes in 2023, and a solid foundation for future organic and M&A-related growth. If the division meets their 2023 budget, it will generate enough cash to be free of debt, which once stood at over US$80m only five years ago.

STRATEGIC OUTLOOK

The COVID-19 pandemic and the war in Ukraine have shifted the competitive landscape of the global printing industry. Western print manufacturers are faced with the mounting costs of labour and energy, which have reduced their competitive advantage. Moreover, the decommissioning of paper mills in the United States and Europe has created a supply bottleneck for uncoated woodfree paper. This paired with the introduction of stringent environmental policies has further limited the capacities of Western printers. Some investments have been made to develop new facilities in these regions, yet it will take several years to reach their full potential.

Freight was an immense hurdle to overcome during the COVID pandemic. Nevertheless, since mid-2022, notwithstanding the blank sailings and other initiatives taken by the shipping alliances to support freight costs, the January 2023 shipping cost witnessed a drastic reduction of over 80% against record prices in the summer of 2022. As shipping demand decreased and port operations returned to a state of normalcy, companies are becoming increasingly inclined towards Far East printing as a viable option again.

In the long term, we anticipate a gradual loss of the Chinese printer's competitive advantage. The cost of labour in China will continue to rise as the population becomes more educated and moves away from labour-intensive employment opportunities. Furthermore, due to the decreasing population size, the labour pool will decrease, and China's population dividend will be eroded. As China's economy grows, land and material costs will increase as well, further limiting the sustainability of China's advantage.

MANAGEMENT DISCUSSION AND ANALYSIS

South-East Asia is beginning to emerge as an appealing, cost-effective alternative to traditional manufacturing centres. Abundant, cheap labour and investment-friendly government policies have enticed many multinationals to set up manufacturing bases in the area, driven in part by the US-China trade war and the West's manoeuvre to decouple from China. Though the region has the potential to compete with China, it must first overcome infrastructure, policy, and skill-related challenges to build a value chain that could rival China's. And this transition could take a decade to achieve.

The Group will continue to strengthen our economic "moat" by becoming a larger and more integrated part of the global book industry. We will continue to pursue diversification across geographies and vertical integration along the book value chain. The Group's vertically integrated model enables our "smart" procurement practice. It allows us to achieve cost leadership by anticipating commodity demand and price fluctuations, sourcing and storing raw materials at optimal times and prices for our customers. And our global footprint allows us to deliver fast and efficient print services for complex large-scale projects.

NEAR-TERM PROSPECT

The performance over the past two years has clearly demonstrated the success of our strategy of diversification. Over the years, the Group has transformed from a "commodity" book printer into a multinational enterprise that spans across print manufacturing, print services management, and creative publishing. While we have increased our presence in the global book industry, the normalization of global book demand means it is unlikely we could replicate the outstanding results in 2023.

We discussed the emergence of South-East Asia as a manufacturing powerhouse and the importance of the Malaysia-based COS/Papercraft as a strategic asset in light of current market trends. Our objectives for the division are to reach breakeven by 2023, further strengthening our core printing business by providing customers with an alternative to China-based printing solutions.

The strategic merger of Griffin Press into Left Field is on track to be finalized within this fiscal year. As a geographically isolated market, Australia has developed a unique and self-reliant printing and publishing ecosystem. However, its' limited scale and scope of the local book market also poses challenges for the sustainability of the print supply chain, especially in terms of raw material availability. To mitigate these risks and enhance our competitive advantage, we will intensify our efforts to seek alternative sources of paper for printing novels.

Quarto has successfully transformed itself into a solid and resilient business, with a sound financial foundation and a streamlined product portfolio that aligns with its core competencies. To further advance the business, we will leverage both organic and inorganic growth opportunities. Organically, we will focus on developing a vibrant literary ecosystem of authors, illustrators, influencers, marketers, and sales channels in each of our six core publishing categories - Children's, Gardening, Cooking, House & Home, Arts & Crafts, and Mind, Body & Spirit. Inorganically, we will seek tuck-in acquisitions that complement our existing market reach and influence.

We anticipate the market demand for books and print services to remain soft in the first half of 2023. Consumer's discretionary spending is still constrained, and retailers are still adjusting their inventory levels to match the lower demand. Some smaller sized players in the printing and publishing industry might face financial challenges. However, the scale of our business and financial position will enable us to ride out this uncertain period. We will also capitalize on the window of opportunity to execute M&A transactions that will help us achieve our strategies.

Lastly, I would like to convey my sincere appreciation to our staff for their outstanding performance, dedication, and professionalism. They are the driving force behind our remarkable achievements and the backbone of our success.

FINANCIAL REVIEW

Turnover for the year ended 31 December 2022 was approximately HK$2,496.1 million and represented an increase of 43.7% from previous corresponding year (2021: HK$1,737.6 million). The increase was attributed to the inclusion of the results of The Quarto Group, Inc. ("Quarto") since April 2022, contributing approximately HK$875.9 million of revenue to the new book publishing segment. External turnover generated from the printing segment decreased by approximately HK$117.4 million. Such decrease was mainly due to the exclusion of printing revenue from Quarto after it became the subsidiary of the Group.

Gross profit margin increased from 25.7% to 33.3% for the year ended 31 December 2022 compared with 2021. The inclusion of the publishing segment in 2022 provided a higher gross profit contribution to the Group. Gross profit margin in the printing segment also improved as a result of lower procurement and outsource costs and increased operational efficiency.

Other income increased by HK$64.1 million to approximately HK$110.7 million (2021: HK$46.6 million). The increase was mainly due to 1) the fair value gain on disposal of associate of HK$31.3 million as a result of derecognizing Quarto as an associate in April 2022; 2) the increase in bad debt recovery of HK$16.9 million; 3) the increase in gain on disposal of property, plant and equipment of HK$6.6 million; 4) income from debt forgiveness of HK$4.5 million; 5) the increase in income on published books consignment service of HK$3.5 million; and increase in bank interest income.

Selling and distribution expenses increased by approximately HK$137.1 million compared with 2021. Selling and distribution expenses against sales increased from 12.0% in 2021 to 13.9% in 2022. Such increase was due to higher portion of sales and marketing costs derived from the publishing segment.

Administrative expenses increased by HK$70.9 million to approximately HK$180.1 million (2021: HK$109.2 million). The increase was substantially the result of the inclusion of the overhead administrative expenses of Quarto and the newly acquired book printing business in OPUS, together with the increase in legal and professional costs associated with these corporate projects. Overseas travelling costs also increased during the year after the gradual loosening of the COVID measures of different countries. Loss on fair value of financial assets through profit and loss of HK$2.6 million was also noted which was attributable to the fair value loss of a convertible note acquired during the year.

Impairment losses on property, plant and equipment of HK$23.7 million and right-of-use asset of HK$4.7 million were recognised for the year ended 31 December 2022. The impairment losses were made with the expectation of lower future recoverable value on the assets in Papercraft, our subsidiary in Malaysia.

Provision for impairment of trade and other receivables increased by HK$33.6 million as compared with 2021. The increase was due to the expected credit loss on the trade receivables of the publishing business and also the increased credit risk on receivables from Ovato Limited on its appointment of administrator in July 2022.

Finance costs increased from approximately HK$8.5 million in 2021 to approximately HK$18.1 million in 2022. The increase was caused by the substantial increase in the floating interest rate and the increase in bank borrowings during the year.

Share of result of an associate amounted to HK$6.5 million in 2022, representing the share of first quarter result in Quarto before it became subsidiary of the Company, comparing with HK$27.5 million for the full year result in 2021.

Income tax expenses increased to approximately HK$61.7 million in 2022 (2021: HK$35.1 million), being associated with the increase in profit for the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit attributable to owners of the Company amounted to approximately HK$219.9 million for the year ended 31 December 2022 (2021: HK$132.5 million), a 66.0% increase compared with 2021.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group had net current assets of approximately HK$869.3 million (2021: HK$595.1 million) of which the cash and cash equivalents were approximately HK$770.2 million (2021: HK$431.9 million). The Group's current ratio was approximately 1.9 (2021: 2.0).

Total bank borrowings and lease liabilities for the Group amounted to approximately HK$552.0 million (2021: HK$335.7million). Bank borrowings of HK$394.4 million were denominated in Hong Kong dollars. Bank borrowings of HK$42.0 million and HK$2.1 million were denominated in Euros and US dollars respectively. All bank borrowings were carried at floating rates repayable within five years. The Group's gearing ratio as at 31 December 2022 was 33.4% (2021: 24.9%), which is calculated on the basis of the Group's total interest-bearing debts (comprising bank borrowings and lease liabilities) over the total equity interest.

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 reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

FOREIGN CURRENCY MANAGEMENT

The Group's sales were denominated in a mixture of currencies, primarily US dollars, Australian dollars, Euros and Pound Sterling. In addition, the Group's costs and expenses are mainly denominated in US dollars, Australian dollars, Pound Sterling, Hong Kong dollars and Renminbi. From time to time the Group enters into foreign currency exchange contracts to hedge its currency risk.

CAPITAL EXPENDITURE

During the year, the Group had acquired property, plant and equipment at approximately HK$84.5 million. The purchase is mainly financed by internal resources. The carrying amount of right-of-use assets as at 31 December 2022 was approximately HK$103.2 million.

PLEDGE OF ASSETS/CHARGE OF ASSETS

As at 31 December 2022, the Group had assets of HK$844.3 million (2021: Nil) comprising property, plant and equipment of HK$10.4 million, right-of-use assets of HK$49.4 million, intangible assets of HK$198.4 million, inventories of HK$170.0 million, trade and other receivables of HK$312.6 million, cash and cash equivalents of HK$103.5 million and equity interests of certain subsidiaries being charged as security against the banking facilities granted to Quarto. In addition, the Group had pledged deposit of approximately HK$0.1 million (2021: HK$0.2 million) as a security for the banking guarantee facilities of a subsidiary.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no material contingent liabilities.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

MR. LAU CHUK KIN

Mr. Lau Chuk Kin, aged 70, was appointed as an executive Director in 2011. Mr. Lau has been responsible for the overall strategic formulation and management of the Group. Mr. Lau is an executive director of Left Field Printing Group Limited, a subsidiary of the Company whose shares are listed on the Stock Exchange of Hong Kong Limited and The Quarto Group, Inc., a subsidiary of the Company whose shares are listed on the London Stock Exchange. Mr. Lau obtained a Bachelor of Arts degree from the University of Minnesota in the United States and a Master of Business Administration degree from the Chinese University of Hong Kong. Mr. Lau is the compliance officer of the Group. He has over 30 years of experience in printing business. He is a director of ER2 Holdings Limited and City Apex Ltd., substantial shareholders of the Company. He is a shareholder of ER2 Holdings Limited.

MS. LAM MEI LAN

Ms. Lam Mei Lan, aged 56, was appointed as an executive Director in 2015. She is the chief financial officer of the Group and has been responsible for the financial management of the Group. Ms. Lam holds a Master of Business Administration degree from the Chinese University of Hong Kong and a Doctor of Business Administration degree from The Hong Kong Polytechnic University. She is a fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Ms. Lam has over 30 years of experience in finance and has held senior financial positions in various main board listed companies and a non-profit charitable organization in Hong Kong. Ms. Lam is a non-executive director of The Quarto Group, Inc., a subsidiary of the Company whose shares are listed on the London Stock Exchange.

MR. CHU CHUN WAN

Mr. Chu Chun Wan, aged 72, was appointed as an executive Director in 2015. Mr. Chu has been the managing director of Asia Pacific Offset Limited ("APOL") since 1999. He has over 40 years of experience in the printing industry in Hong Kong and held senior positions, including as deputy managing director of Mandarin Offset Limited and executive vice president of Hua Yang Printing Group. Mr. Chu is responsible for making overall strategic decisions in APOL which is a subsidiary acquired by the Group in 2012. Mr. Chu is father of Ms. Stephanie Chu, general manager of APOL.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

NON-EXECUTIVE DIRECTOR

MR. LI HOI, DAVID

Mr. Li Hoi, David, aged 65, was appointed as an executive Director in 2013 and re-designated to non-executive Director in 2017. Before Mr. Li's re-designation to non-executive role, he was the Managing Director of Oceanic Graphic International Inc. ("OGI"), a subsidiary of the Group and was responsible for the overall management of OGI. Mr. Li is the founder of a print management company in the United States. Mr. Li has over 30 years of experience in publishing and printing industries and has held different positions in several publishing and printing companies in the United Kingdom, United States and Hong Kong. Mr. Li received a diploma from London College of Printing (currently known as London College of Communication) and a diploma from the British Printing Industries Federation.

MR. GUO JUNSHENG

Mr. Guo Junsheng, aged 33, was appointed as a non-executive Director in 2016. Mr. Guo holds a Bachelor of marketing degree from the Guangzhou University. He is also a founding and controlling shareholder of an art and cultural development company, a trading company and an information technology company in China. He also has extensive experience in a non-profit charitable organization in Guangdong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. YEUNG KA SING, GBS MBE JP

Mr. Yeung Ka Sing, *GBS MBE JP* aged 81, was appointed as an independent non-executive Director and Chairman of the Company in 2011. Mr. Yeung has been active in public and community services for over 30 years. Notably, he was chairman of the Hong Kong Housing Society, Standing Commission on Civil Service Salaries and Condition of Service, Community Investment and Inclusion Fund Committee. He was also a member of the Transport Advisory Committee, member of the City University Council, member of the Employers' Federation and council member of the Hong Kong Management Association.

Mr. Yeung was awarded the Gold Bauhinia Star by the Hong Kong Special Administrative Region in 2012. He was also awarded the Honorary Fellow of the City University of Hong Kong in 2014 and the Honorary Fellowship of The HKU School of Professional and Continuing Education in 2021.

Prior to his retirement in 2006, he was the Head of Corporate Human Resources of the Hong Kong and China Gas Company Limited.

PROF. LEE HAU LEUNG

Prof. Lee Hau Leung, aged 70, was appointed as an independent non-executive Director of the Company in 2011. He is the Thoma Professor of Operations, Information and Technology at the Graduate School of Business at Stanford University. Prof. Lee was elected to the National Academy of Engineering in 2010, and is a Fellow of the Manufacturing and Service Operations Management Society in 2001, a Fellow of the Institute for Operations Research and the Management Sciences in 2005, and a Fellow of the Production and Operations Management Society in 2005. Prof. Lee obtained his Bachelor of Social Science degree from the University of Hong Kong, his Master of Science degree in Operational Research from the London School of Economics and Political Science, University of London, and his Master of Science and Doctorate degree from the University of Pennsylvania.

Prof. Lee is an independent non-executive director of TD Synnex Corporation, a company listed on the New York Stock Exchange, and Silvaco Group, Inc., a private company based in the United States.

DR. NG LAI MAN, CARMEN

Dr. Ng Lai Man, Carmen, aged 58, was appointed as an independent non-executive Director in 2011. Dr. Ng has over 30 years of experience in professional accounting and corporate finance in Hong Kong, the PRC, the United States and Europe. Dr. Ng is a practising certified public accountant in Hong Kong, a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and Institute of Chartered Accountants in England and Wales. She is a director of Cosmos CPA Limited and Redwood Asset Management Limited (a company licensed with the Hong Kong Securities and Futures Commission).

Dr. Ng received her Doctor of Business Administration degree from the Hong Kong Polytechnic University, Juris Doctor degree from the Chinese University of Hong Kong, Master of Laws degree in Corporate and Financial Law from the University of Hong Kong, Master of Business Administration degree from the Chinese University of Hong Kong, Master of Professional Accounting degree from the Hong Kong Polytechnic University and Master of Science in Global Finance jointly offered by Leonard N. Stern School of Business of New York University and School of Business and Management from the Hong Kong University of Science of Technology. Dr. Ng is currently an independent non-executive director of eSun Holdings Limited, Global International Credit Group Limited and Moiselle International Holdings Limited, all being companies listed on the Stock Exchange of Hong Kong Limited.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

MR. HO TAI WAI, DAVID

Mr. Ho Tai Wai, David, aged 74, was appointed as an independent non-executive Director in December 2022. Mr. Ho obtained a Master of Business Administration Degree from The Chinese University of Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants, The Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Ho has over 40 years of experience in finance and accounting and held management positions in various companies prior to his retirement in 2007. Mr. Ho is an independent non-executive director of Left Field Printing Group Limited (stock code: 1540), a subsidiary of the Company and Build King Holdings Limited (stock code: 240), both are companies listed on The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

MR. GEORGE TAI

Mr. George Tai, aged 73, is the managing director and minority shareholder of Regent Publishing Services Limited ("Regent"). He founded Regent, a subsidiary acquired by the Group in 2017, in 1985 and has been responsible for the overall management of Regent since its incorporation. Mr. Tai has been in the printing industry since 1973 and started his career in printing with Dai Nippon Printing Company and Hong Kong Scanner Craft Limited.

MR. RICHARD F. CELARC

Mr. Richard F. Celarc, aged 66, is the chairman and executive director of Left Field Printing Group Limited ("Left Field"), a subsidiary of the Company whose shares are listed on the Stock Exchange of Hong Kong Limited. He is responsible for the overall strategic planning and management of Left Field Group. Mr. Celarc has around 40 years of experience in the printing business in Australia. He co-founded Ligare Pty Ltd, a subsidiary of the Company, and grew the business into the largest specialist book printer in New South Wales.

MS. STEPHANIE CHU

Ms. Stephanie Chu, aged 41, has been appointed as the General Manager of APOL since 1 December 2015. Ms. Chu has been with APOL for over 15 years, including 9 years at senior management level. She graduated from The University of Kent in 2004 with a Bachelor of Science degree in Forensic Studies. Ms Chu oversees the overall operations and management of APOL. Ms. Chu is daughter of Mr. Chu Chun Wan, an executive director of the Company.

MR. LAM WING YIP

Mr. Lam Wing Yip, aged 49, is the chief technology officer of the Group. Mr. Lam is responsible for the design and implementation of information technology strategies that align with the Group's business goals. He has over 20 years of experience in information technology field. Prior to joining the Group in 2011, he worked in several multinational corporations. Mr. Lam obtained a Bachelor of Science degree from the Chinese University of Hong Kong.

MS. TAN LAI MING

Ms. Tan Lai Ming, aged 45, is the company secretary and financial controller of the Group. Ms. Tan obtained a bachelor's degree in accountancy from the City University of Hong Kong and has been a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. She is responsible for the company secretarial and finance functions of the Group. She worked at Deloitte Touche Tohmatsu for over 7 years before joining the Group in 2011.

MR. SU LEIGANG

Mr. Su Leigang, aged 46, is the vice president of supply chain of the Group. He obtained a Master's degree in information system from the University of Southampton, United Kingdom and a bachelor's degree in industrial automation (computer control) from China Textile University (currently known as Donghua University), Shanghai, the PRC. Mr. Su has over 10 years of experience in the information technology field. Prior to joining the Group in 2007, he worked as IT manager for 5 years at a company listed on the Shanghai Stock Exchange.

MR. TONG WING WAI, GILBERT

Mr. Tong Wing Wai, Gilbert, aged 48, is the regional director of China and Southeast Asia. He joined the Group in 2011. Mr. Tong is responsible for the production and administration of 1010 Printing's China Plant and also oversees the business operation in Singapore and Malaysia. He has over 10 years of experience in the printing industry. He obtained a Master of Business Administration from the University of Adelaide and a bachelor degree in Mechanical and Automation Engineering from the Chinese University of Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

MS. TANG TSZ YING

Ms. Tang Tsz Ying, aged 38, is an executive director and company secretary of Left Field Printing Group Limited ("Left Field"). She is responsible for overseeing the finance and company secretarial function of Left Field Group. Ms. Tang obtained a Bachelor's degree in Business Administration in Accountancy from the Hong Kong Polytechnic University. She is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in Australia. Ms. Tang joined OPUS Group Pty. Ltd. (Formerly known as OPUS Group Limited), a subsidiary of the Company in 2016. She worked in Ernst and Young, both Hong Kong office and Sydney office, for over 7 years.

MS. WONG WAI YEE

Ms. Wong Wai Yee, aged 36, is the sales director of the Group. She oversees the sales functions of 1010 Printing International Limited, a wholly owned subsidiary of the Company. Ms Wong obtained a Bachelor's degree of arts in language studies for the professions from The Hong Kong Polytechnic University. She joined the Group in 2012 and has 10 years of experience in international trade.

MR. LIU WAI TUNG

Mr. Liu Wai Tung, aged 43, is the director of technology and innovation of the Group. Mr. Liu obtained a Master's degree of Business Administration from The University of Greenwich, a Master's degree of Philosophy from The Hong Kong Polytechnic University and a Bachelor's degree of Information Engineering from The Chinese University of Hong Kong. He oversees the information system management and related projects. Prior to joining the Group in 2017, Mr. Liu has over 10 years of experience in information technology consulting and management in various industries.

MR. WAN HON MAN, VICTOR

Mr. Wan Hon Man, Victor, aged 42, is the Strategic Planning Director of the Group. Mr. Wan has over 16 years of experience in the technology field. Prior to joining the Group in 2019, he was the founder and managing director of an e-commerce business. He served in various leadership roles at a Fortune 500 technology firm for over a decade in the areas of corporate strategy, alliance management and business development. Mr. Wan obtained his bachelor's and master's degrees in Science and Engineering from the University of Pennsylvania and a master's degree of Business Administration from INSEAD.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries are set out in note 37 to the financial statements.

BUSINESS REVIEW

A review of the Group's business during the year and analysis of the Group's performance using financial key performance indicators and prospects of the Group's business is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 003 to 008 respectively of this Annual Report.

PRINCIPAL RISK AND UNCERTAINTIES

Macro-economic and political conditions

The Group's principal business is engaged in the provision of printing services to international book publishers, trade, professional and educational publishing conglomerates and print media companies and book publishing. The principal printing facilities are located in Mainland China, Australia, Singapore and Malaysia. The Group's long term profitability and business growth are affected by the volatility and uncertainty of macro-economic conditions, and uncertain economic outlook and political conditions of Hong Kong, Mainland China, Australia, US, UK, Eurozone and South American countries. During the period of economic uncertainty, consumer consumption might be scaled back.

Digitalisation of information

With increased digitalisation of information, both the supply of and demand for electronic information will impact the demand for printed material and media. As consumer preferences and trends shift towards electronic media and platforms and the popularity and sales of products such as e-book readers and electronic tablet devices increase, the Group's customers may decide to transfer or increase distribution of their content on digital mediums and reduce the usage of print media, which may affect the business and financial performance of the Group.

Technological developments in the printing industry

Revolutionary changes in technology, mainly in the pre-press and press areas will happen in the coming years, ushered in by the launch of a series of digital printing presses using nanotechnology developed ink. Digital printing technology will be a future trend of printing for providing a shorter run and rapid stock replenishment capabilities, which will reduce warehouse inventory and free up capital.

Financial risks

Details of financial risks are set out in note 39 to the consolidated financial statements.

RELATIONSHIP WITH STAKEHOLDERS

The Group is committed to operate in a sustainable manner while balancing the interests of its various stakeholders including customers, suppliers and employees. This includes providing quality services to customers, developing effective and mutual beneficial working relationships with its suppliers, and offering competitive remuneration package with safety working environments to employees.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to environmental-friendly development as a part of social responsibility. The Group achieves this through rational resources utilisation and compliance with applicable environmental laws and practices of environmental protection, seeking to contribute to the improvement of ecological environment and sustainable development. The Group continues to improve the environmental performance as an integral and fundamental part of the business strategy and operating methods.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

The Group has operations in different overseas countries carried by the Company's subsidiaries. The Group accordingly shall comply with relevant laws and regulations in these countries and the respective places of incorporation of the Company and its subsidiaries.

During the year and up to the date of this report, the Board was unaware of any non-compliance with relevant laws and regulations that have a significant impact on the business and operations of the Group.

DIRECTORS' REPORT

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 035.

DIVIDEND

During the year, the Directors have declared an interim dividend of HK$0.03 (2021: Nil) per share, totaling HK$23,100,000 which was paid on 29 September 2022.

The Directors recommended a final dividend of HK$0.07 (2021: HK$0.06) per share (the "Final Dividend") and special dividend of HK$0.03 (2021: Nil) ("Special Dividend") for the year ended 31 December 2022. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, the Final Dividend and Special Dividend will be payable on 19 June 2023.

RESERVES

Details of movements in the reserves of the Group and the reserves of the Company during the year are set out in the consolidated statement of changes in equity on pages 038 to 039 and note 30 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution to the shareholders of the Company amounted to approximately HK$399 million.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 135 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 28 to the financial statements.

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Lau Chuk Kin
Ms. Lam Mei Lan
Mr. Chu Chun Wan

NON-EXECUTIVE DIRECTORS

Mr. Li Hoi, David
Mr. Guo Junsheng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Ka Sing
Prof. Lee Hau Leung
Dr. Ng Lai Man, Carmen
Mr. Ho Tai Wai, David (appointed on 28 December 2022)

In accordance with No. 83(2) and No. 84 of the Company's bye-laws, Ms. Lam Mei Lan, Mr. Yeung Ka Sing, Prof. Lee Hau Leung and Mr. Ho Tai Wai, David will retire at the forthcoming annual general meeting. Mr. Yeung Ka Sing has informed the Board that he would not offer himself for re-election and accordingly will retire as director upon the conclusion of the forthcoming annual general meeting. After Mr. Yeung's retirement as director, he will remain as emeritus chairman of the Company. Ms Lam Mei Lan, Prof. Lee Hau Leung and Mr. Ho Tai Wai, David, being eligible, offer themselves for re-election as directors at the forthcoming annual general meeting.

DIRECTORS' SERVICES CONTRACT

Each of the independent non-executive directors has entered into a service contract with the Company for a term of two years ending on 31 December 2024, except Mr. Ho Tai Wai, David's service contract being entered for the period from 28 December 2022 to 31 December 2024. The service contract is subject to termination by either party giving not less than three months' prior written notice to the other.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any service contract 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.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" and note 36 to the consolidated financial statements contained in this annual report, no transactions, arrangements or contracts of significance to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31 December 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any associated corporations, within the meaning of Part XV the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the 'Model Code") were as follows:

(a) **Long Position in the shares of the Company (the "Shares")**

Name of Directors	Personal Interests	Family Interests	Corporate Interests	Total Interests	Percentage to the issued share capital of the Company
	(Shares)	(Shares)	(Shares)	(Shares)	(%)
Mr. Lau Chuk Kin (Note 1)	91,983,906	Nil	266,432,717	358,416,623	46.55
Ms. Lam Mei Lan	8,868,688	Nil	Nil	8,868,688	1.15
Mr. Guo Junsheng (Note 2)	Nil	Nil	249,804	249,804	0.03

(b) **Long Position in the shares of Left Field Printing Group Limited ("Left Field"), an associated corporation of the Company**

Name of Directors	Personal Interests	Family Interests	Corporate Interests	Total Interests	Percentage to the issued share capital of Left Field
	(Shares)	(Shares)	(Shares)	(Shares)	(%)
Mr. Lau Chuk Kin (Note 3)	9,803,278	Nil	315,724,997	325,528,275	65.28
Ms. Lam Mei Lan	1,035,543	Nil	Nil	1,035,543	0.21

DIRECTORS' REPORT

(c) Long Position in the underlying shares of the Company under the share award scheme

	Number of shares				
Name of Director	Outstanding at 1.1.2022	Granted during the year	Vested during the year	Cancelled/ lapsed during the year	Outstanding at 31.12.2022
Mr. Lau Chuk Kin	200,000	–	–	–	200,000
Ms. Lam Mei Lan	3,840,000	–	–	–	3,840,000
Mr. Chu Chun Wan	200,000	–	–	–	200,000
Mr. Li Hoi David	200,000	–	–	–	200,000
Mr. Guo Junsheng	200,000	–	–	–	200,000
Mr. Yeung Ka Sing	200,000	–	–	–	200,000
Prof. Lee Hau Leung	200,000	–	–	–	200,000
Dr. Ng Lai Man Carmen	200,000	–	–	–	200,000

Notes:

1. Of 266,432,717 shares, 258,135,326 shares and 8,297,391 shares are beneficially owned by City Apex Ltd. and ER2 Holdings Limited ("ER2 Holdings") respectively. As at 31 December 2022, ER2 Holdings was the ultimate holding company of City Apex Ltd.. Mr. Lau Chuk Kin owned 69.76% of the issued share capital of ER2 Holdings and accordingly, Mr. Lau is deemed to be interested in the said shares pursuant to Part XV of the Securities and Futures Ordinance.

2. The shares are beneficially owned by Dragon Might Global Limited ("Dragon Might"). As at 31 December 2022, Dragon Might is 100% directly owned by Mr. Guo Junsheng and therefore Mr. Guo is deemed to be interested in the said shares.

3. Of 315,724,997 shares, 16,133,457 shares, 518,586 shares and 299,072,954 shares are beneficially owned by City Apex Ltd., ER2 Holdings and Bookbuilders BVI Ltd respectively. As at 31 December 2022, Bookbuilders BVI Ltd is an indirect wholly-owned subsidiary of the Company. As stated under note 1 above, Mr. Lau is deemed to be interested in 46.55% issued share capital of the Company. Accordingly, Mr. Lau is deemed to be interested in the said shares.

Save as disclosed above, as at 31 December 2022, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed to have any interests of short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME AND SHARE AWARD SCHEME

Details of the share option scheme and share award scheme of the Company are set out in note 29 to the financial statements.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year and at the end of the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executive or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2022, the following persons, other than a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company, being 5% or more in the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Nature of interest: Beneficial Owner	Nature of interest: Interest in controlled corporation	Total Interests	Percentage to the issued share capital of the Company
	(Shares)	(Shares)	(Shares)	(%)
ER2 Holdings Limited (Note 1)	8,297,391	258,135,326	266,432,717	34.60
City Apex Ltd. (Note 1)	258,135,326	Nil	258,135,326	33.52
Mr. Chang Mun Kee (Note 2)	10,067,583	54,112,030	64,179,613	8.34
Mr. Webb David Michael (Note 3)	27,931,168	41,413,808	69,344,976	9.00
JcbNext Berhad (Note 2)	54,112,030	Nil	54,112,030	7.03
Preferable Situation Assets Limited (Note 3)	41,413,808	Nil	41,413,808	5.38

Note:

1. 258,135,326 shares are beneficially owned by City Apex Ltd. ER2 Holdings is the ultimate holding company of City Apex Ltd.. Accordingly, ER2 Holdings is deemed to be interested in the said shares pursuant to Part XV of the Securities and Futures Ordinance.

2. According to the record kept by the Company, as at 31 December 2022, Mr. Chang Mun Kee is interested in 45.49% of the shares in JcbNext Berhad. Therefore, Mr. Chang is deemed to be interested in the said shares held by JcbNext Berhad.

3. According to the record kept by the Company, as at 31 December 2022, Preferable Situation Assets Limited is 100% directly owned by Mr. Webb David Michael and therefore Mr. Webb is deemed to be interested in the said shares held by Preferable Situation Assets Limited.

Save as disclosed above, as at 31 December 2022, the Company had not been notified of any other person (other than a Director or chief executive of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company and was required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' REPORT

MAJOR SUPPLIERS AND CUSTOMERS

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 27% and 9% of the Group's total purchases for the year ended 31 December 2022 respectively.

The top five customers in aggregate and the single largest customer of the Group accounted for approximately 21% and 7% of the Group's total sales for the year ended 31 December 2022 respectively.

Save as disclosed above, at no time during the year did a director, an associate of a Director, within the meaning of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), or a shareholder of the Company which to the knowledge of the Directors owns more than 5% of the Company's share capital have any interest in the Group's five largest suppliers and five largest customers.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision as defined in the Hong Kong Companies Ordinance for the benefit of the Directors is currently in force and was in force throughout this year. The Company has maintained Directors' liabilities insurance which provides appropriate cover for the Directors.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

None of the directors of the Company or any of their respective associates (as defined in the Listing Rules) has any business or interest that competes or may compete with the business of the Group.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Other than disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" and note 36 to the consolidated financial statements contained in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the year ended 31 December 2022 or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the year ended 31 December 2022 or subsisted at the end of the year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Company's announcement dated 19 September 2022 that on 19 September 2022, OPUS Group Pty Limited, a subsidiary of the Company, disposed of the AUD2,000,000 convertible note to Mr. Lau Chuk Kin ("Mr. Lau"), an executive director and substantial shareholder of the Company at a consideration of AUD2,000,000 (equivalent to approximately HK$10.6 million). The consideration was determined after arm's length negotiations and with reference to the principal value and subscription price. The Directors (including the independent non-executive directors but excluding Mr. Lau) consider that the terms of the disposal were fair and reasonable and were on normal commercial terms or better and in the interest of the Group shareholders as a whole.

Save as disclosed above and in note 36 to the Financial Statements, the Group has not entered into any other connected transaction or continuing connected transaction for the year which should be disclosed pursuant to the requirements of Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirm that the Company has maintained throughout the year ended 31 December 2022, the amount of public float as required under the Listing Rules.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 022 to 029 of the annual report.

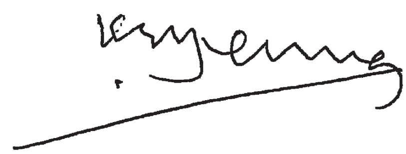
EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2022, the Group had around 1,683 full-time employees (2021: 1,303). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employees benefits include provident fund, insurance and medical cover, share option scheme and share award scheme.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board



Yeung Ka Sing
Chairman
Hong Kong, 31 March 2023

CORPORATE GOVERNANCE REPORT

The Group has adopted practices which meet the Corporate Governance Code and Corporate Governance Report during the year (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the" Stock Exchange"). The report describes its corporate governance practices, explains the applications of the principles of the Code and deviations, if any.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the Model Code regarding securities transactions by the Directors throughout the year ended 31 December 2022.

BOARD OF DIRECTORS

As at 31 December 2022, the Board comprises nine Directors, of whom three are executive Directors, two are non-executive Directors and four are independent non-executive Directors. The Board has in its composition a balance of skills and experience necessary for decision making and fulfilling its business needs. The participation of non-executive Directors in the Board brings independent judgement on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

Except the newly appointed independent non-executive director, Mr. Ho Tai Wai, David who's service contract was entered for the period from 28 December 2022 (date of appointment) to 31 December 2024, each of the non-executive directors and independent non-executive directors entered into a service contract with the Company for a term of two years ending 31 December 2024. All are subject to termination by either party giving not less than three months' prior written notice to the other.

The Board considers that all of the independent non-executive Directors are independent and has received from each of them the annual confirmation of independence required by the Listing Rules.

The Company had adopted a Board diversity policy aims to set out the approach to achieve the diversity of the Board. The Company currently has two female Directors, and the Board will endeavour to maintain female representation on the Board. The Company recognises and embraces the benefits of having a diverse Board (including gender diversity) to enhance the quality of its performance. The Board has in its composition a balance of skills and experience necessary for decision making and fulfilling its business needs. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. The Nomination Committee will follow a range of diversified perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be made upon possible contribution that the selected candidates will bring to the Board.

The Board members for the year ended 31 December 2022 were:

Chairman
Mr. Yeung Ka Sing

Executive Directors
Mr. Lau Chuk Kin
Ms. Lam Mei Lan
Mr. Chu Chun Wan

Non-executive Directors
Mr. Li Hoi David
Mr. Guo Junsheng

Independent non-executive Directors
Mr. Yeung Ka Sing
Prof. Lee Hau Leung
Dr. Ng Lai Man, Carmen
Mr. Ho Tai Wai, David

The Board is responsible for the approval and monitoring of the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management. It is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs.

The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to executive Directors and senior management, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through executive Directors who have attended Board meetings.

The Company had arranged for appropriate liability insurance for the directors and officers of the Group for indemnifying their liabilities arising from corporate activities.

All Directors have been provided, on a monthly basis, with the Group's management information updates to keep them aware of the Group's affairs and facilitates them to discharge their duties under the relevant requirements of the Listing Rules.

The Board held 4 Board meetings and one annual general meeting ("AGM") in 2022. Details of the attendance of the Board are as follows:

	Attended/Held	
Directors	Board meeting	AGM
Mr. Lau Chuk Kin	4/4	1/1
Ms. Lam Mei Lan	4/4	1/1
Mr. Chu Chun Wan	4/4	1/1
Mr. Li Hoi David	4/4	1/1
Mr. Guo Junsheng	3/4	0/1
Mr. Yeung Ka Sing	4/4	1/1
Prof. Lee Hau Leung	4/4	1/1
Dr. Ng Lai Man, Carmen	4/4	1/1
Mr. Ho Tai Wai, David (appointed on 28 December 2022)	N/A	N/A

ACCOUNTABILITY AND AUDIT

The Directors acknowledge responsibility for overseeing the preparation of the financial statements for the year ended 31 December 2022.

The Directors' responsibilities in the preparation of the financial statements and the auditors' responsibility are set out in the Independent Auditor's Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The systems and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

CORPORATE GOVERNANCE REPORT

The Group has established an on-going process for identifying, evaluating and managing the significant risks of the Group. Business units are responsible for identifying, assessing and monitoring risks associated with their respective units. The results of evaluation will be reported to management through regular internal meetings. Each year, management prepares the risk assessment report listing the risks identified and management's assessment on the impact to the Group. The Board discusses findings in the risk assessment report and evaluates the effectiveness of the risk management and internal control system in Board meeting.

The Group handles and disseminates inside information with due care. Staff is required to comply with the confidentiality terms inside the staff manual. Only personnel at appropriate level can get reach of price sensitive information.

Appropriate policies and controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements.

The Group has established a whistle-blowing policy under which it encourages the employees who have concerns about any suspected misconduct or malpractice within the Group to come forward and voice those concerns to the members of the audit committee. Code of conduct to promote and support anti-corruption practices are also set in the staff handbook or inside staff assessable public system.

The Group does not have an internal audit function due to the size of the Group and for cost effectiveness consideration. Instead, a review on the internal control system is done annually by independent qualified accountant. During the year, the independent qualified accountant conducted an annual review to assess the effectiveness of the Group's risk management and internal control systems. The review covered major financial, operational controls in rotation basis and also the risk management functions. No significant deficiency was identified during course of review and the systems were operating effectively and adequately. The internal control report findings and recommendations were discussed with the Audit Committee and Audit Committee reports the findings to the Board. The Board concluded the internal control system of the Group was operated effectively. The Group continues to review the need for an internal audit function annually.

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Mr. Yeung Ka Sing is the chairman of the Company. The Chairman's responsibility is to oversee the functioning of the Board and the strategies and policies of the Group.

The Company has no specific title named as chief executive officer and the daily operation and management of the Company is monitored by the executive directors.

PROFESSIONAL DEVELOPMENT

Every newly appointed Director will be given an induction training so as to ensure that he/she has appropriate understanding of the Group's business and of his/her duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements.

The Company also provides regular updates on the business development of the Group. The Directors are regularly briefed on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, the Company has been encouraging the Directors to enroll in professional development courses and seminars relating to the Listing Rules, companies ordinance and corporate governance practices organized by professional bodies or chambers in Hong Kong. All directors are requested to provide the Company with their respective training records pursuant to the Code.

All Directors have participated in appropriate continuous professional development and refresh their knowledge and skills during the year for ensuring their contribution to the Board remains informed and relevant. Such professional development was completed either by way of attending briefings, conference, courses, forum and seminars, teaching, self-reading and participated in business-related researches which are relevant to the business or directors' duties.

CORPORATE GOVERNANCE FUNCTIONS

The Board delegated the Corporate Governance Functions to the compliance officer, Mr. Lau Chuk Kin. The compliance officer is responsible for the corporate governance duties as follows:

(a) To develop and review the Company's policies and practices on corporate governance and make recommendations to the board;

(b) To review and monitor the training and continuous professional development of directors and senior management;

(c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) To review the Company's compliance with the Code and disclosure in the Corporate Governance Report

COMPANY SECRETARY

The company secretary of the Company is Ms. Tan Lai Ming, a fellow member of The Hong Kong Institute of Certified Public Accountants. Ms. Tan is also the financial controller of the Company. As an employee of the Company, the company secretary assists the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. She has taken not less than 15 hours of relevant professional training in 2022.

REMUNERATION COMMITTEE

The Remuneration Committee was established in June 2011. It currently comprises one executive Director namely Mr. Lau Chuk Kin and four independent non-executive Directors, namely Mr. Yeung Ka Sing, Prof. Lee Hau Leung, Dr. Ng Lai Man, Carmen and Mr. Ho Tai Wai, David. The chairman of the Remuneration Committee is Mr. Yeung Ka Sing.

The terms of reference of the Remuneration Committee are posted on the Company's website. The principal functions include:

– to recommend to the Board on the Company's policies and structure for the remuneration of the Directors and senior management of the Group;

– to determine the remuneration packages of all executive Directors and senior management of the Group; and

– to review and approve the management's remuneration proposal with reference to corporate goals and objectives resolved by the Board from time to time.

The principal elements of executive remuneration package include basic salary and discretionary bonus. The emoluments of executive Directors are based on skill, knowledge and involvement in the Company's affairs of each Director and are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee consults the executive Directors about its proposals relating to the remuneration of other executive Directors.

The Remuneration Committee held one meeting in 2022. Details of the attendance record of the committee meetings are as follows:

Committee members	Attended/Held
Mr. Lau Chuk Kin	1/1
Mr. Yeung Ka Sing	1/1
Prof. Lee Hau Leung	1/1
Dr. Ng Lai Man, Carmen	1/1
Mr. Ho Tai Wai, David (appointed on 28 December 2022)	N/A

The meeting was held to review the remuneration policy and structure and determination of the annual remuneration packages of the executive Directors and the senior executives and other related matters.

Pursuant to paragraph B.1.5 of the Code, the remuneration of the members of the senior management paid by the Group by band for the year ended 31 December 2022 is set out below:

Remuneration band	Number of individuals
Nil to HK$1,000,000	0
HK$1,000,001 – HK$1,500,000	5
HK$1,500,001 – HK$2,000,000	4
HK$2,000,001 – HK$2,500,000	1
HK$2,500,001 – HK$3,000,000	1

NOMINATION COMMITTEE

The Nomination Committee of the Company was established in February 2012 and currently comprising the Executive Director namely Mr. Lau Chuk Kin, the Independent Non-executive Directors namely Mr. Yeung Ka Sing, Prof. Lee Hau Leung, Dr. Ng Lai Man, Carmen and Mr. Ho Tai Wai, David. The Chairman of the Nomination Committee is Mr. Yeung Ka Sing. The terms of reference of the Nomination committee are posted on the Company's website.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Directors, selecting or making recommendations to the Board on nominations, appointment or re-appointment of Directors and Board succession, and assessing the independence of the independent non-executive directors.

The Nomination Committee held one meeting in 2022. Details of the attendance record of the committee meetings are as follows:

Committee members	Attended/Held
Mr. Lau Chuk Kin	1/1
Mr. Yeung Ka Sing	1/1
Prof. Lee Hau Leung	1/1
Dr. Ng Lai Man, Carmen	1/1
Mr. Ho Tai Wai, David (appointed on 28 December 2022)	N/A

The meeting was held for reviewing the structure, size and composition, and assessing the independence of the independent non-executive directors of the board of directors. During the year, the Nomination Committee also recommended the Board for appointment of Mr. Ho Tai Wai, David as Independent Non-executive Director.

AUDIT COMMITTEE

The Audit Committee was established in June 2011. It currently comprises four independent non-executive Directors, namely Mr. Yeung Ka Sing, Prof. Lee Hau Leung and Dr. Ng Lai Man, Carmen and Mr. Ho Tai Wai, David. The chairman of the Audit Committee is Dr. Ng Lai Man, Carmen.

The terms of reference of the Audit Committee, which are in compliance with the Listing Rules, are posted on the Company's website. Under the terms of reference, the Audit Committee is responsible for overseeing the relationship between the Company and its external auditors, reviewing the Group's financial information and overseeing the Group's financial reporting, internal control and risk management systems.

The Audit Committee held three meetings in 2022. Details of the attendance record of the committee meetings are as follows:

Committee members	Attended/Held
Dr. Ng Lai Man, Carmen	3/3
Mr. Yeung Ka Sing	3/3
Prof. Lee Hau Leung	3/3
Mr. Ho Tai Wai, David (appointed on 28 December 2022)	N/A

During the year, the Audit Committee met with the senior management of the Company to review the Group's draft annual report and accounts, draft interim report, internal control report and circulars, and provided advice and comments thereon to the Company's Board of Directors. The Audit Committee members also met with the external auditors to discuss matters arising from the audit and the nature and scope of the audit and reporting obligations before the audit commenced.

The Group's 2022 interim report and 2021 annual report have been reviewed by the Audit Committee, which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. For the 2021 annual report, the Audit Committee met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending it to the Board for approval. The Audit Committee also monitored the Company's progress in implementing the code provisions on corporate governance practices as required under the Listing Rules.

AUDITOR'S REMUNERATION

The fees in relation to services provided by the Company's auditor and its related network firms for the year ended 31 December 2022 were as follows:

	HK$'000
Audit and review of financial reports	
BDO Limited, Hong Kong	1,600
Other BDO network firms	675
	2,275
Other non-audit services	
BDO Limited, Hong Kong	745
Other BDO network firms	37
	782

DIVIDEND POLICY

The Company has adopted a dividend policy. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

(i) the Group's actual and expected financial results;

(ii) the Group's working capital requirements, capital expenditure requirements and future expansion plans;

(iii) the Group's liquidity position;

(iv) the financial covenants to which the Group is subject and any restrictions on the payment of dividends that may be imposed by the Group's lenders;

(v) the general economic and political conditions and other external factors that may have an impact on the future business and financial performance of the Group; and

(vi) any other factors that the Board may consider relevant.

CORPORATE GOVERNANCE REPORT

The payment of dividend is also subject to the compliance with applicable laws and regulations, including the laws of Bermuda and the Company's bye-laws. The Board shall review the dividend policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

DIVERSITY

The Company currently has two female Directors, and the Board will endeavour to maintain female representation on the Board. As at 31 December 2022, the percentages of male and female employees (including senior management) are 54% and 46% respectively. The Board considers that the Group's workforce is diverse in terms of gender.

COMMUNICATION WITH SHAREHOLDERS

The Company has adopted a Shareholders' Communication Policy in February 2012 reflecting mostly the current practices of the Company for communication with its shareholders. Information will be communicated to shareholders through:

– continuous disclosure to the Stock Exchange of all material information;

– periodic disclosure through the annual and interim reports;

– notices of meetings and explanatory material;

– the annual general meetings and other general meetings; and

– the Company's website at www.lionrockgrouphk.com

The Board endeavours to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation. The Directors attended the AGM held in 2022 to answer questions and collect views of shareholders. The external auditor also attended the annual general meeting to answer questions of shareholders. The shareholders communication policy allows shareholders views to be collected and responded effectively.

SHAREHOLDERS' RIGHTS

(i) **Procedures for members to convene a special general meeting ("SGM")**

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Company's registered office in Bermuda and its principal place of business in Hong Kong, for the attention of the Company Secretary, to require a SGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the Shareholders concerned themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act, but any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

The written requisition must state the purposes of the general meeting, signed by the Shareholders concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

If the requisition is in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered Members. On the contrary, if the requisition is invalid, the Shareholders concerned will be advised of this outcome and accordingly, a SGM will not be convened as requested.

The notice period to be given to all the registered Members for consideration of the proposal raised by the shareholders concerned at a SGM varies according to the nature of the proposal, as follows:

– at least twenty-one clear days' and not less than ten clear business days' notice in writing if the proposal constitutes a special resolution of the Company, which cannot be amended other than to a mere clerical amendment to correct a patent error; and

– at least fourteen clear days' and not less than ten clear business days' notice in writing if the proposal constitutes an ordinary resolution of the Company.

(ii) Procedures for a member to propose a person for election as a director

As regards the procedures for proposing a person for election as a Director, please refer to the procedures made available under the Corporate Governance section of the Company's website at www.lionrockgrouphk.com

(iii) Procedures for directing Shareholders' enquires to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the principal place of business of the Company in Hong Kong or by e-mail to investor@lionrockgrouphk.com for the attention of the company secretary.

(iv) Procedures for putting forward proposals at a general meeting

Shareholders holding (i) not less than one-twentieth of the total voting rights of all Shareholders having the right to vote at the general meeting of the Company; or (ii) not less than 100 Shareholders, can submit a written request stating the resolution intended to be moved at the AGM; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting. The written request/statements must be signed by the Shareholders concern and deposited at the Company's registered office in Bermuda and its principal place of business in Hong Kong for the attention of the company secretary of the Company, not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

If the written request is in order, the Company Secretary will ask the Board (i) to include the resolution in the agenda for the AGM; or (ii) to circulate the statement for the general meeting, provided that the Shareholders concerned have deposited a sum of money reasonably determined by the Board sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement submitted by the Shareholders concerned in accordance with the statutory requirements to all the registered Members. On the contrary, if the requisition is invalid or the Shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Shareholders concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the AGM; or the statement will not be circulated for the general meeting.

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF LION ROCK GROUP LIMITED
(獅子山集團有限公司)
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Lion Rock Group Limited (the Company) and its subsidiaries (together the Group) set out on pages 035 to 134, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and have been properly prepared in compliance with the disclosure requirements of 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.

Impairment assessment on goodwill and non-financial assets

Refer to note 17 and the Group's critical accounting estimates and judgements in relation to impairment of goodwill and non-financial assets set out in Note 4(i) and Note 4(ii) to the consolidated financial statements

As at 31 December 2022, the Group had goodwill and non-financial assets of carrying amount of HK$321,734,000 and HK$422,405,000 relating to the acquisitions of Asia Pacific Offset Limited, OPUS Group Limited, Papercraft Sdn. Bhd., Quarto Group Limited, Regent Publishing Services Limited and book printing business operating by Griffin Press Printing Pty Ltd. Goodwill is assessed annually for impairment and non-financial assets is assessed annually whether there are any indicators of impairment for all non-financial assets.

Management concluded that the cash-generating units ("CGUs") or group of CGUs or group of CGUs containing goodwill and non-financial assets suffered impairment HK$26,716,000 (2021: HK$18,481,000). This conclusion was based on value-in-use calculations that require the estimation of recoverable amounts of the CGUs, as detailed in Note 17 to the consolidated financial statements.

We identified impairment assessment on goodwill and non-financial assets as a key audit matter because of its potential significance to the consolidated financial statements. The estimation of recoverable amounts of the CGUs to which goodwill and non-financial assets was allocated involves a significant degree of judgement and estimation in relation to the 5-year period cash flow forecasts of the businesses and other key assumptions to be made by management.

OUR RESPONSE

Our procedures in relation to management's impairment assessment included:

– Assessing the reasonableness of key assumptions, in particular those relating to the 5-year period cash flow forecasts underlying the value-in-use calculations;

– Assessing management's historical forecasting accuracy by comparing previous projections to actual results achieved; and

– Checking, on a sample basis, the accuracy and relevance of the data provided by management, such as growth rates and discount rates used.

Impairment assessment on trade and other receivables

Refer to Note 20 and the Group's critical accounting estimates and judgements in relation to impairment of receivables set out in Note 4(iv) to the consolidated financial statements

As at 31 December 2022, the carrying amount of trade and other receivables amounted to HK$671,007,000 which represented 36% of the Group's current assets. Provision for impairment on trade and other receivables of HK$30,713,000 was recognised in consolidated profit or loss during the year.

Loss allowances for trade and other receivables are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade and other receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.

INDEPENDENT AUDITOR'S REPORT

We identified assessing the recoverability of trade and other receivables as a key audit matter because the assessment of the recoverability of trade and other receivables and recognition of loss allowance are inherently subjective and require significant management judgement, which increases the risk of error or potential management bias.

OUR RESPONSE

Our procedures in relation to management's impairment assessment included:

– Asserting our understanding on the policy of key internal controls which govern credit control, debt collection and estimate of expected credit losses;

– Assessing, on a sample basis, whether items in the trade and other receivables ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with the relevant sales invoices;

– Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information;

– Inspecting subsequent cash receipts from customers after the financial year end relating to trade and other receivables balances as at 31 December 2022, on a sample basis;

– Discussing with management about the recoverability status of material overdue balances and assess whether provision is required; and

– Reviewed management's assessment on impairment and considered whether it has been recognised in accordance with Hong Kong Financial Reporting Standards.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include 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.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of 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 also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional 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.

INDEPENDENT AUDITOR'S REPORT

- 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, 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.

BDO Limited
Certified Public Accountants
Au Yiu Kwan
Practising Certificate Number P05018

Hong Kong, 31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022	2021
		HK$'000	HK$'000
Revenue	5	2,496,089	1,737,616
Direct operating costs		(1,664,664)	(1,290,531)
Gross profit		831,425	447,085
Other income	7	110,670	46,559
Selling and distribution costs		(346,275)	(209,129)
Administrative expenses		(180,118)	(109,215)
Impairment loss of intangible assets	17	–	(18,481)
Impairment loss of property, plant and equipment	15	(23,742)	–
Impairment loss of right-of-use assets	16	(4,739)	–
(Provision for)/reversal of impairment of trade receivables and other receivables, net	20	(30,713)	2,899
Reversal of/(provision for) impairment of loans to an associate	18	2,600	(1,600)
Share of profit of an associate	18	6,503	27,536
Finance costs	8	(18,093)	(8,524)
Profit before income tax	9	347,518	177,130
Income tax expense	12	(61,709)	(35,105)
Profit for the year		285,809	142,025
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		(39,377)	(16,027)
Share of other comprehensive income of an associate		(2,878)	(1,108)
Release upon step acquisition of a subsidiary	18	5,929	–
Other comprehensive income for the year, net of tax		(36,326)	(17,135)
Total comprehensive income for the year		249,483	124,890
Profit for the year attributable to:			
Owners of the Company		219,911	132,491
Non-controlling interests		65,898	9,534
		285,809	142,025
Total comprehensive income attributable to:			
Owners of the Company		192,005	121,614
Non-controlling interests		57,478	3,276
		249,483	124,890
Earnings per share for profit attributable to owners of the Company during the year	14		
Basic		HK29.70 cents	HK17.89 cents
Diluted		HK29.34 cents	HK17.77 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022	2021
		HK$'000	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	224,642	214,359
Deposits for acquisition of property, plant and equipment	20	24,026	3,399
Right-of-use assets	16	103,216	71,518
Intangible assets	17	521,980	177,925
Interest in an associate	18	–	189,134
Loans to an associate	18	–	129,490
Lease receivables	24	533	1,698
Deferred tax assets	26	42,102	23,200
		916,499	810,723
Current assets			
Inventories	19	436,355	240,605
Trade and other receivables and deposits	20	671,007	539,200
Lease receivables	24	1,165	1,142
Financial assets at fair value through profit or loss	25	11	37
Tax recoverable		2,415	4,217
Pledged deposits	21	147	156
Cash and cash equivalents	21	770,217	431,920
		1,881,317	1,217,277
Current liabilities			
Trade and other payables	22	478,954	288,934
Bank borrowings	23	428,352	261,967
Lease liabilities	24	36,390	29,908
Provisions	27	31,755	25,508
Provision for taxation		36,570	15,909
		1,012,021	622,226
Net current assets		869,296	595,051
Total assets less current liabilities		1,785,795	1,405,774

	Notes	2022	2021
		HK$'000	HK$'000
Non-current liabilities			
Bank borrowings	23	10,135	–
Provisions	27	2,713	1,504
Lease liabilities	24	77,089	43,821
Deferred tax liabilities	26	40,897	12,910
		130,834	58,235
Net assets		1,654,961	1,347,539
EQUITY			
Share capital	28	7,700	7,700
Reserves	30	1,350,268	1,223,463
Equity attributable to owners of the Company		1,357,968	1,231,163
Non-controlling interests		296,993	116,376
Total equity		1,654,961	1,347,539

On behalf of the directors

Yeung Ka Sing
Director

Lau Chuk Kin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company													Non-controlling interests	Total equity
	Share capital	Share premium	Exchange reserve	Merger reserve	Contributed surplus	Put option reserve	Statutory reserve	Other reserve	Employee compensation reserve	Share award scheme reserve	Proposed dividend	Retained earnings	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1 January 2022	7,700	173,078	(55,186)	(136,875)	310,125	–	737	(1,738)	5,356	(21,618)	46,200	903,384	1,231,163	116,376	1,347,539
2021 final dividend paid (Note 13)	–	–	–	–	–	–	–	–	–	–	(46,200)	–	(46,200)	–	(46,200)
2022 interim dividend paid (Note 13)	–	–	–	–	–	–	–	–	–	–	–	(23,100)	(23,100)	–	(23,100)
Dividend in relation to share award	–	–	–	–	–	–	–	–	–	–	–	2,662	2,662	–	2,662
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(12,068)	(12,068)
Recognition of equity-settled share-based expenses	–	–	–	–	–	–	–	–	4,801	–	–	–	4,801	–	4,801
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	(3,363)	–	–	–	–	(3,363)	(3,652)	(7,015)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	138,859	138,859
Transactions with owners	–	–	–	–	–	–	–	(3,363)	4,801	–	(46,200)	(20,438)	(65,200)	123,139	57,939
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	219,911	219,911	65,898	285,809
Other comprehensive income															
Currency translation	–	–	(30,957)	–	–	–	–	–	–	–	–	–	(30,957)	(8,420)	(39,377)
Share of other comprehensive income of an associate	–	–	(2,878)	–	–	–	–	–	–	–	–	–	(2,878)	–	(2,878)
Release upon step acquisition of a subsidiary	–	–	5,929	–	–	–	–	–	–	–	–	–	5,929	–	5,929
Total comprehensive income for the year	–	–	(27,906)	–	–	–	–	–	–	–	–	219,911	192,005	57,478	249,483
2022 proposed final dividend (Note 13)	–	–	–	–	–	–	–	–	–	–	53,900	(53,900)	–	–	–
2022 proposed special dividend (Note 13)	–	–	–	–	–	–	–	–	–	–	23,100	(23,100)	–	–	–
Balance at 31 December 2022	7,700	173,078	(83,092)	(136,875)	310,125	–	737	(5,101)	10,157	(21,618)	77,000	1,025,857	1,357,968	296,993	1,654,961

	Attributable to owners of the Company													Non-controlling interests	Total equity
	Share capital	Share premium	Exchange reserve	Merger reserve	Contributed surplus	Put option reserve	Statutory reserve	Other reserve	Employee compensation reserve	Share award scheme reserve	Proposed dividend	Retained earnings	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1 January 2021	7,700	173,078	(44,174)	(136,875)	310,125	(13,906)	737	(1,738)	788	(21,618)	38,500	835,885	1,148,502	128,214	1,276,716
2020 final dividend paid (Note 13)	–	–	–	–	–	–	–	–	–	–	(38,500)	–	(38,500)	–	(38,500)
2021 interim dividend paid (Note 13)	–	–	–	–	–	–	–	–	–	–	–	(23,100)	(23,100)	–	(23,100)
Dividend in relation to share award	–	–	–	–	–	–	–	–	–	–	–	2,367	2,367	–	2,367
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(15,114)	(15,114)
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	–	–	4,816	–	–	–	4,816	–	4,816
Lapsed equity-settled share-based payment	–	–	–	–	–	–	–	–	(248)	–	–	248	–	–	–
Transfer to retained earnings	–	–	–	–	–	(1,558)	–	–	–	–	–	1,558	–	–	–
Lapsed put option granted to non-controlling shareholder of a subsidiary	–	–	–	–	–	15,464	–	–	–	–	–	–	15,464	–	15,464
Transactions with owners	–	–	–	–	–	13,906	–	–	4,568	–	(38,500)	(18,927)	(38,953)	(15,114)	(54,067)
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	132,491	132,491	9,534	142,025
Other comprehensive income															
Currency translation	–	–	(9,769)	–	–	–	–	–	–	–	–	–	(9,769)	(6,258)	(16,027)
Share of other comprehensive income of an associate	–	–	(1,243)	–	–	–	–	–	–	–	–	135	(1,108)	–	(1,108)
Total comprehensive income for the year	–	–	(11,012)	–	–	–	–	–	–	–	–	132,626	121,614	3,276	124,890
2021 proposed final dividend (Note 13)	–	–	–	–	–	–	–	–	–	–	46,200	(46,200)	–	–	–
Balance at 31 December 2021	7,700	173,078	(55,186)	(136,875)	310,125	–	737	(1,738)	5,356	(21,618)	46,200	903,384	1,231,163	116,376	1,347,539

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022	2021
		HK$'000	HK$'000
Cash flows from operating activities			
Profit before income tax		347,518	177,130
Adjustments for:			
Depreciation of owned property, plant and equipment	9, 15	43,335	41,797
Amortisation of intangible assets	9, 17	105,623	–
Depreciation of right-of-use assets	9, 16	47,768	31,001
Equity-settled share-based payment expenses	11	4,801	4,816
Gain on disposal of financial assets at fair value through profit or loss	7	(3,298)	(4,231)
Loss on financial assets at fair value through profit or loss	9	2,635	–
Impairment of trade receivables recovered	7	–	(180)
Bank interest income	7	(3,157)	(1,721)
Loan interest income	7, 9	(4,269)	(3,593)
Interest income on lease receivables	7	(48)	(74)
Gain on disposals of property, plant and equipment	7	(6,751)	(200)
Provision for/(reversal of) impairment of trade and other receivables	9,20	30,713	(2,899)
(Reversal of)/provision for impairment of loans to an associate	9, 18	(2,600)	1,600
Reversal of provision for lease dilapidation	7	(980)	–
Impairment loss of intangible assets	17	–	18,481
Bad debts recovered	7	(16,938)	(3)
Interest on lease liabilities	8, 24	5,004	3,731
Imputed interest on financial liabilities arising from put option	8	–	97
Interest expenses on bank borrowings	8	12,611	4,696
Amortisation of debt issuance costs and bank fees	8	478	–
Provision for/(written back of) inventories	9,19	14,072	(2,926)
Gain on deregistration of a subsidiary	7	–	28
Gain on disposal of an associate	7,9,18	(31,285)	–
Loss on lease modification	9, 16,24	950	–
Written off of pre-publication costs	9, 17	19,684	–
Impairment loss of property, plant and equipment	15	23,742	–
Impairment loss of right-of-use assets	16	4,739	–
Debt forgiveness	7, 9	(4,484)	–
Share of profit of an associate	7, 18	(6,503)	(27,536)
Operating profit before working capital changes		583,360	240,014
Increase in inventories		(23,468)	(58,085)
Decrease/(increase) in trade and other receivables and deposits		289,384	(107,189)
(Decrease)/increase in trade and other payables		(234,295)	54,049
(Decrease)/increase in provisions		(5,808)	2,077
Changes in financial assets at fair value through profit or loss		3,324	4,239
Cash generated from operations		612,497	135,105
Income taxes paid		(99,987)	(29,204)
Net cash generated from operating activities		512,510	105,901

	Notes	2022	2021
		HK$'000	HK$'000
Cash flows from investing activities			
Interest received		3,205	5,388
Proceeds from disposals of owned property, plant and equipment		7,671	1,007
Payments for purchases of owned property, plant and equipment		(84,549)	(47,382)
(Increase)/decrease in deposits for acquisition of owned property, plant and equipment		(21,814)	11,273
Payments made upfront for leased plant and equipment in right-of-use assets		(17,374)	(2,562)
Payments for addition of intangible assets		(114,976)	–
Decrease/(increase) in loans to an associate	18	69,570	(77,300)
Increase in loan to a third party		(56,700)	–
Loan repayment received		49,950	–
Loan interest received		3,158	–
Purchases of financial assets at fair value through profit or loss	25	(13,875)	–
Proceeds from disposals of financial assets at fair value through profit or loss	25	9,900	–
Acquisition of a subsidiary, net of cash acquired	33	61,169	–
Cash consideration paid for business combination	33	(47,175)	–
Proceeds from lease received from tenants	24	1,142	1,330
Payment for acquisition of investment in an associate		(19,280)	–
Purchase of additional interests in subsidiaries		(7,015)	(17,751)
Net cash used in investing activities		(176,993)	(125,997)
Cash flows from financing activities			
New bank borrowings	38	345,000	240,000
Repayments of bank borrowings	38	(211,422)	(169,483)
Interest on bank borrowings paid	38	(12,611)	(4,696)
Repayments of principal portion of the lease liabilities	38	(45,194)	(32,398)
Interest portion of the lease liabilities paid	38	(5,004)	(3,731)
Dividends paid to the owners of the Company	13	(66,638)	(59,233)
Dividends paid to non-controlling interests		(12,068)	(15,114)
Net cash used in financing activities		(7,937)	(44,655)
Net decrease in cash and cash equivalents		327,580	(64,751)
Effect of exchange rate fluctuations, net		10,717	(5,620)
Cash and cash equivalents at 1 January		431,920	502,291
Cash and cash equivalents at 31 December		770,217	431,920
Analysis of cash and cash equivalents			
Cash and bank balances		770,217	431,920

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Lion Rock Group Limited (the "Company") was incorporated in Bermuda under the Bermuda Companies Act as an exempted limited liability company. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is Level 11 East Wing, NEO, 123 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") in 2011.

The Company acts as an investment holding company. Details of the activities of its principal subsidiaries are set out in Note 37 to the financial statements. The Company and its subsidiaries are collectively referred to as the "Group" hereafter.

The financial statements for the year ended 31 December 2022 were approved for issue by the board of directors of the Company (the "Directors") on 31 March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 035 to 134 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in Note 3.

The financial statements have been prepared under historical cost convention, except for certain financial instruments, which are stated at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Business combinations and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The Group accounts for business combinations using acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Business combination and basis of consolidation (Continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

2.3 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2.4 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Associates (Continued)

Profit and loss arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

2.5 Foreign currency translation

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into HK$ at the average exchange rates for the month of the transactions, unless exchange rates fluctuated significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Freehold land in Australia is not depreciated. Depreciation on other property, plant and equipment is provided to write-off their costs over their estimated useful lives, using straight-line method, at the following rates per annum:

Buildings on freehold land	4%-14%
Buildings	Over the remaining life of the leases but not exceeding 50 years
Furniture and fixtures	10%-50%
Office equipment	10%-50%
Leasehold improvements	4% – 50% or over the lease terms, whichever is shorter
Computer equipment and systems	20%-100%
Motor vehicles	12.5%-33.33%
Machinery	5%-50%

The assets' depreciation methods and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

2.7 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of identifiable assets and liabilities acquired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Goodwill (Continued)

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant CGUs that are expected to benefit from the synergies of the acquisition. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see Note 2.15), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGUs to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGUs is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value-in-use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

2.8 Intangible assets (other than goodwill)

Intangible assets acquired separately

Intangible assets, mainly non-contractual customer relationship and customer contract, acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Amortisation for customer contract, non-contractual customer relationship, software and backlists is provided on straight-line method over their useful lives of 2 years, 3 years, 4 years and 5 years respectively. The amortisation expenses is recognised in profit or loss and included in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (other than goodwill) (Continued)

Pre-publication cost (development costs of book titles)

Expenditure incurred on projects to development of book titles prior to their publication is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

The amount initially recognised for pre-publication cost is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, pre-publication cost are reported at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation for pre-publication cost with finite useful lives is recognised on reducing-balance method of 50% per annum. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

2.9 Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. Trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place. Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (Continued)

(i) Financial assets (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

(1) Financial assets at amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. These are subsequently measured using effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(2) Financial assets at fair value through profit or loss ("FVTPL"): These include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (Continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables, loan to associate, and financial assets measured at amortised cost. ECLs are measured on either of the following bases:

(1) 12-month ECLs: these are ECLs that result from possible default events within the 12 month after the reporting date: and

(2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group elected to measure loss allowances for its trade receivables and contract assets using HKFRS 9 simplified approach and calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12 months ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realising security (if any is held); or the financial asset is more than 90 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status.

The Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

These include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities at FVTPL (Continued)

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised costs

Financial liabilities at amortised costs including trade and other payables and bank borrowings are subsequently measured at amortised costs, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through amortisation process.

(iv) Effective interest method

This is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. Effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (Continued)

(v) Derecognition (Continued)

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

2.10 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issue of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.11 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is determined using weighted average cost method, and in the case of work-in-progress and finished goods, cost comprises direct materials and, where applicable, direct labour costs and those overhead costs that have been 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 applicable selling expenses.

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 in which 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired, less bank overdrafts which are payable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.13 Leases

The Group as a lessee

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

<u>Right-of-use asset</u>

The right-of-use asset should be recognised at cost and would comprise:

(i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);

(ii) any lease payments made at or before the commencement date, less any lease incentives received;

(iii) any initial direct costs incurred by the lessee; and

(iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group measures the right-of-use assets applying the cost model, under which the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Leases (Continued)

The Group as a lessee (Continued)

The Group accounts for leasehold land and buildings which is held for own use under HKAS 16 and are carried at cost. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

(i) fixed payments less any lease incentives receivable;

(ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;

(iii) amounts expected to be payable by the lessee under residual value guarantees;

(iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

(v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by:

(i) increasing the carrying amount to reflect interest on the lease liability;

(ii) reducing the carrying amount to reflect the lease payments made; and

(iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Leases (Continued)

The Group as a lessee (Continued)

Lease liability (Continued)

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient for Covid-19-Related Rent Concessions applies, if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

The Group as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased assets to the lessee. All other leases are classified as operating leases.

The Group has sub-leased out its offices to a number of tenants. When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Amounts due from lessees under finance leases are recognised as lease receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

A leased property which is recognised as a right-of-use asset under HKFRS 16 is derecognised if the Group as intermediate lessor classified the sublease as a finance lease. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

(i) Printing income and sales of scrapped paper and by-products

Printing income and sales of scrapped paper and by-products are recognised at a point in time when the goods are transferred and the customer has received the publications, since only by that time the Group has a present right to payment for the goods delivered. In determining the transaction price, the Group measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

There is no significant financial components for the contracts and the consideration is not variable.

(ii) Book Publishing

Revenue from the sale of publishing rights is recognised at a point in time when the license are transferred to the customer, which it is able to use and benefit from the right to use the license. This is when the Group has discharged its performance obligations under the contractual arrangements, since only by that time the Group has a present right to payment for the goods delivered. The sale of publishing rights includes the right to future sales based royalties. Revenue generated from the sales based royalties is only recognised when the subsequent sale occurs. The Group licences the intellectual property rights to the customer on a right to use basis. This allows the customer to use the intellectual property as detailed in the contract. Once the term of the contract has expired, the licence becomes cancelled.

There is no significant financial components for the contracts and the consideration is not variable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Revenue recognition (Continued)

(iii) Rental income, interest income and dividend income

Rental income under operating leases is recognised on straight-line method over the term of the relevant lease.

Interest income is recognised on time-proportion basis using effective interest method.

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

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for goods/services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods/services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.15 Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment, intangible assets other than goodwill, right-of-use assets and interests in subsidiaries and associate to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value-in-use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Impairment of assets (other than financial assets) (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value-in-use is based on the estimated future cash flows expected to be derived from the asset or CGU (see Note 2.7), 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 or CGU.

2.16 Employee benefits

(i) Retirement benefit schemes

The Group participates in several staff retirement benefit schemes for employees in Hong Kong, the People's Republic of China (the "PRC"), Australia and other countries, comprising defined contribution retirement schemes or a Mandatory Provident Fund scheme (the "MPF Scheme"). The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and by the relevant group companies. The retirement benefit scheme costs charged to profit or loss represents contributions payable by the Group to the schemes.

The subsidiaries operating in the PRC and other countries are required to participate in the defined contribution retirement schemes for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement benefit schemes at a specified percentage of employees' relevant income and there are no other further obligations to the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Employee benefits (Continued)

(ii) Share-based employee compensation

The Group operates two equity-settled share-based compensation plans, including share option scheme and share award scheme to remunerate its employees, directors and sale agents.

For share options granted by the Group, the share-based compensation is recognised as an expense in the Group's statement of profit or loss and other comprehensive income with a corresponding credit to the employee compensation reserve.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. The fair value is measured at the grant date using applicable option-pricing models, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

For share award scheme, when the trustee purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as share award scheme reserve and deducted from total equity. No gain or loss is recognised on the transactions of the Company's own shares. When the trustee transfers the Company's shares to the grantees upon vesting, the related costs of the granted shares vested are transferred to share award scheme reserve. Accordingly, the related expense of the granted shares vested is transferred from employee compensation reserve. The difference arising from such transfer is debited or credited to retained earnings. At the end of the reporting period, the Group revises its estimates of the number of shares that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to employee compensation reserve.

(iii) Bonus plans

The Group recognises a liability and an expense for bonuses where it has a contractual obligation or where there is a past practice that has created a constructive obligation.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Employee benefits (Continued)

(iv) ***Short-term employee benefits***

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the reporting date. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(v) ***Other long-term employee benefits***

The liability for long service leave and annual leave in Australia which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on high-quality corporate bonds with terms and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

2.17 Borrowing costs

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

2.18 Income taxes

Income tax for the year comprises current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries and associates where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Income taxes (Continued)

Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if, the entity has a legally enforceable right to set off current tax assets against current tax liabilities and deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

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

2.19 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Segment reporting (Continued)

In the previous year, the Group considers that the operation constitutes a single operating, which is the provision of printing services. In the current year, the Group reorganised its internal reporting structure after the business combination which resulted in identification of two operating and reportable segments as follows, prior year segment disclosures have also been represented to conform with the current year's presentation.

(a) Printing – provision of printing services;

(b) Publishing – book publishing.

The Group has identified two reportable and operating segments which is the provision of printing services. No segment information is presented other than the analysis of sales and non-current assets by geographical location.

The measurement policies the Group uses for reporting segment profit under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

- finance costs
- share of profits of associate
- income tax expense

are not included in arriving at the operating profit of the operating segment.

Segment assets include all assets whilst segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include deferred tax liabilities and liabilities incurred for financing rather than operating purposes.

2.20 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 key management personnel of the Group or the Company's parent.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Related parties (Continued)

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of the employees of 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 key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company'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 and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Government grants

Government grants are recognised 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 revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

2.22 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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, the existence of which 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.

2.23 Distributions of non-cash assets to owners

When the Company has an obligation to distribute non-cash assets to owners, it recognises a liability to pay the dividend. The liability to pay the dividend is recognised when the dividend is appropriately authorised and is no longer at the discretion of the Company. The liability to pay the dividend is measured at the fair value of the non-cash assets to be distributed. When the Company settles the dividend payable, the difference between the carrying amount of the non-cash assets distributed and the amount of the dividend payable is recognised in profit or loss.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

3.1 Adoption of new or amended HKFRSs

The HKICPA has issued a number of amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS Standards	Annual Improvements to HKFRSs 2018-2020 Cycle – Amendments to HKFRS 9 "Financial Instruments"
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021

These amended HKFRSs did not have any significant impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period except for the amendment to HKFRS 16, COVID -19-Related Rent Concessions beyond 30 June 2021. Impact on the applications of these amended HKFRSs are summarised below.

Amendments to HKAS 16 – Property, Plant and Equipment: Proceeds before intended use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. Instead, the related sales proceeds together with the costs of providing these items as determined by HKAS 2 "Inventories", are to be included in profit and loss.

Amendments to HKAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Annual Improvements to HKFRSs 2018-2020 Cycle – Amendments to HKFRS 9 "Financial Instruments"

The amendment clarifies that only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf, are included when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

NOTES TO THE FINANCIAL STATEMENTS

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (Continued)

3.1 Adoption of new or amended HKFRSs (Continued)

Amendments to HKFRS 3 – Reference to the Conceptual Framework

The amendments update the reference to the latest version of Conceptual Framework issued in March 2018, and add an exception to the requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability.

The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" ("HKAS 37") or HK(IFRIC)-Int 21 "Levies" ("HK(IFRIC)-Int 21") if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 "Business Combinations" should apply the criteria in HKAS 37 or HK(IFRIC)-Int 21 respectively (instead of the Conceptual Framework) to determine whether a present obligation exists at the acquisition date.

Amendments to HKFRS 16 – Covid-19-Related Rent Concessions beyond 30 June 2021

Effective 1 June 2020, HKFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) The reduction is lease payments affects only payments originally due on or before 30 June 2021; and

(c) There are is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in HKFRS 16 in accounting for the concession.

The application of these amendments have had no material impact on the Group's financial positions and performance for the current and prior years.

3.2 New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (Continued)

3.2 New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 1	Presentation of financial statements: Classification of liabilities as current or non-current[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2024.
3 No mandatory effective date yet determined but available for adoption.

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-Current

The amendments clarify the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period and make clear the link between the settlement of the liability and the outflow of resources from the entity.

Amendments to HKAS 1 – Non-current Liabilities with Covenants

The 2022 Amendments modify the requirements introduced by the amendments to IAS 1 issued in 2020, Classification of Liabilities as Current or Non-current (the "2020 Amendments") on how an entity classifies debt and other financial liabilities with covenants as current or non-current. The amendments specify that only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (Continued)

3.2 New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 1 – Disclosure of Accounting Policies

The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to HKAS 8-Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (Continued)

3.2 New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKFRS 16 – Lease Liability in a Sale and Leaseback

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are intended to improve the requirements for sale and leaseback transactions in HKFRS 16. They do not change the accounting for leases unrelated to sale and leaseback transactions. The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

The directors of the Company do not anticipate that the application of the amendments in the future will have an material impact on the financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The preparation of the consolidated financial statements requires management to make judgement, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of CGUs have been determined based on value-in-use calculations, which require the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

(ii) Estimated impairment of non-financial assets

The Group assesses annually whether there are any indicators of impairment for all non-financial assets with the accounting policy stated in Note 2.15. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows. For the year ended 31 December 2022, impairment loss of non-financial assets of HK$26,716,000 (2021: nil) was recognised in the consolidated statement of profit or loss. Details of the estimates of the recoverable amounts of CGUs containing the non-financial assets are disclosed in Note 17.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(iii) **Net realisable value of inventories**

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to the changes in market condition. Management reassesses these estimations at the reporting date.

(iv) **Provision for ECLs of receivables**

The Group uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various debtors that have similar loss patterns. The provision matrix is based on management's estimate of the lifetime ECL to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.

The provision of ECLs is sensitive to changes in circumstances and forecast general economic conditions. The information about the ECLs and the Group's trade receivables are disclosed in Notes 39 and 20 respectively. If the financial condition of the customers or the forecast economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

(v) **Depreciation**

The Group depreciates property, plant and equipment using straight-line method over the estimated useful lives, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the directors' best estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(vi) **Current taxation and deferred taxation**

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the amount of the provision of taxation, the timing of the recognition of related tax and whether deferred tax assets are recognised on the statement of financial position.

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final outcome of the tax matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable earnings in future periods are based on forecasted taxable income.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(vii) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are:

Level 1: Quoted prices in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs;

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures certain financial assets/liabilities at fair value. For more detailed information in relation to the fair value measurement of the items above, please refer to Note 40.

(viii) Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUE

Revenue represents the printing income and publishing income earned by the Group during the year. The Group derives its revenue from printing income and publishing income which is recognised on a point in time basis during the years.

Revenue is disaggregated by geographical markets information was disclosed under segment information and revenue disaggregated by major products and service lines and timing of revenue recognition as following tables.

	2022	2021
	HK$'000	HK$'000
Major products/services lines		
Provision of printing income	1,620,197	1,737,616
Provision of publishing income	875,892	–
	2,496,089	1,737,616
Timing of revenue recognition		
At a point in time	2,496,089	1,737,616

The following table provides information about contract liabilities from contracts with customers.

	2022	2021
	HK$'000	HK$'000
Contract liabilities (Note 22)	45,454	24,152

Contract liabilities relate to the advances received from customers. HK$23,983,000 (2021: HK$13,825,000) of contract liabilities as of 31 December 2022 and HK$38,529,000 (2021: nil) of contract liabilities acquired through business combination has been recognised as revenue for the year ended 31 December 2022 from performance obligations satisfied in current year. The Group expected the balance will recognise as revenue within one year.

The Group has applied the practical expedient to its printing income and publishing income, and therefore does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for printing income and publishing income that had an original expected duration of one year or less.

Revenue from single customer included the sales to entities which are, to the best knowledge of the Group, under common control with these customers. No customer was contributing over 10% of the Group total revenue for the year ended 31 December 2022. Revenue from customers of the year contributing over 10% of the Group's total revenue for the year ended 31 December 2021 is as follows:

	2022	2021
	HK$'000	HK$'000
The Quarto Group, Inc. (Note 36)	–	185,199

6. SEGMENT INFORMATION

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the senior executive management of the Company, the chief operating decision makers (the "CODM"), in order to allocate resources and to assess performance.

In the previous year, the CODM considers that the operation of the Group constitutes a single operating segment as the revenue and profit are derived entirely from the provisions of printing service. In the current year, the Group reorganised its internal reporting structure after the business combination which resulted in identification of two operating and reportable segments as follows, prior year segment disclosures have also been represented to conform with the current year's presentation.

(a) Printing – provision of printing services;

(b) Publishing – provision of publishing services.

The CODM monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit or loss before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that finance costs, reversal of/provision for impairment of loan to an associate, fair value gain on disposal of an associate, share of result of an associate, corporate expenses are excluded from such measurement.

Segment revenue and results

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

NOTES TO THE FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

	Printing		Publishing		Elimination		Consolidation	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue								
– External	1,620,197	1,737,616	875,892	–	–	–	2,496,089	1,737,616
– Inter-segment	131,198	–	–	–	(131,198)	–	–	–
	1,751,395	1,737,616	875,892	–	(131,198)	–	2,496,089	1,737,616
Segment Result	182,429	162,346	147,060	–	(482)	–	329,007	162,346
Reversal of/(provision for) impairment of loan to an associate							2,600	(1,600)
Fair value gain on disposal of an associate							31,285	–
Unallocated corporate expenses							(3,784)	(2,628)
Share of profit of associate							6,503	27,536
Finance cost							(18,093)	(8,524)
Profit before income tax							347,518	177,130

	Printing		Publishing		Unallocated		Consolidation	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other segment information								
Additions to property, plant and equipment	75,061	47,382	9,488	–	–	–	84,549	47,382
Additions to right-of-use assets	38,234	10,459	28,520	–	–	–	66,754	10,459
Bank interest income	3,156	1,721	1	–	–	–	3,157	1,721
Loan interest income	4,269	3,593	–	–	–	–	4,269	3,593
Depreciation of property, plant and equipment	(40,174)	(41,797)	(3,161)	–	–	–	(43,335)	(41,797)
Depreciation of right-of-use assets	(37,213)	(31,001)	(10,555)	–	–	–	(47,768)	(31,001)
Amortisation of intangible assets, less pre-publication cost	–	–	(1,596)	–	–	–	(1,596)	–
Amortisation of pre-publication cost	–	–	(104,027)	–	–	–	(104,027)	–
Impairment of right-of-use assets	(2,974)	–	(1,765)	–	–	–	(4,739)	–
(Provision for)/reversal of impairment to trade receivables and other receivables, net	(14,536)	2,899	(16,177)	–	–	–	(30,713)	2,899
Loss on financial assets at fair value through profit or loss	(2,634)	–	–	–	–	–	(2,634)	–

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

Deferred tax assets, deferred tax liabilities, goodwill, bank borrowings, corporate assets and corporate liabilities are not allocated to the reportable segments as they are not included in the measure of the segments' assets and segments' liabilities that are used by the CODM for assessment of segment performance. The following table presents the asset and liability information of the Group's operating segments as at 31 December 2022 and 31 December 2021:

	Printing	Publishing	Consolidation
	HK$'000	HK$'000	HK$'000
31 December 2022			
Segment assets	1,587,831	846,149	2,433,980
Unallocated			
Deferred tax assets			42,102
Goodwill			321,734
Group assets			2,797,816
Segment Liabilities	(359,764)	(303,707)	(663,471)
Unallocated			
Deferred tax liabilities			(40,897)
Bank borrowings			(438,487)
Group liabilities			(1,142,855)
31 December 2021			
Segment assets	1,508,251	–	1,508,251
Unallocated			
Deferred tax assets			23,200
Goodwill			177,925
Interest in an associate			189,134
Loans to an associate			129,490
Group assets			2,028,000
Segment Liabilities	(405,548)	–	(405,584)
Unallocated			
Deferred tax liabilities			(12,910)
Bank borrowings			(261,967)
Group liabilities			(680,461)

NOTES TO THE FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas.

	Revenue from external customers		Non-current assets (excluding deferred tax assets, lease receivables, interests in an associate and loan to an associate)	
	2022	2021	2022	2021
	HK$'000	HK$'000	HK$'000	HK$'000
PRC	8,928	–	153,864	147,181
United States of America ("USA")	1,244,789	856,632	126,309	493
Australia	652,367	523,742	174,710	149,766
United Kingdom ("UK")	278,243	248,626	271,549	2
Spain	49,664	46,149	–	–
Canada	42,984	14,060	–	–
France	28,242	–	–	–
Germany	21,515	14,853	–	–
Italy	13,591	–	–	–
Netherland	12,748	–	–	–
New Zealand	12,451	15,380	–	–
Ireland	12,050	–	–	–
Chile	10,790	6,161	–	–
Singapore	7,773	8,266	10,519	25,088
Hong Kong (domicile)	1,983	65	94,589	96,833
Malaysia	281	104	42,324	66,319
Others	97,690	3,578	–	–
	2,496,089	1,737,616	873,864	485,682

Sales by geographical markets are analysed based on the location of customers and the geographical location of non-current assets is based on (1) physical location of the assets (for property, plant and equipment and right-of-use assets) and (2) location of operations (for intangible assets). Hong Kong is considered as the Group's country of domicile for the purpose of the disclosures of geographical analysis of revenue and non-current assets as required by HKFRS 8 "Operating Segment" as the Group has majority of its operation and workforce in Hong Kong.

7. OTHER INCOME

	2022	2021
	HK$'000	HK$'000
Sales of scrapped paper and by-products	22,478	24,450
Sales commission	3,491	–
Bad debt recovered	16,938	3
Impairment of trade receivables recovered (Note 20)	–	180
Bank interest income	3,157	1,721
Interest income on lease receivables	48	74
Gain on disposal of financial assets at fair value through profit or loss	3,298	4,231
Gain on deregistration of a subsidiary	–	28
Gain on disposal of an associate (Note 18)	31,285	–
Gain on disposals of property, plant and equipment	6,751	200
Government subsidies (Note (i))	4,715	3,972
Foreign exchange gain, net	2,406	4,586
Loan interest income	4,269	3,593
Reversal of over provision on lease dilapidation	980	–
Debt forgiveness (Note (ii))	4,484	–
Sundry income	6,370	3,521
	110,670	46,559

Notes:

(i) Government subsidies received during the year mainly related to various employee retention schemes in different countries as a result of COVID-19. In Australia, the Group recorded nil (2021: HK$2,234,000) as payroll subsidies which related to the period through to 31 December 2022 for employees who continued to work in either full-time or part-time capacity. In addition, the Group received HK$2,611,000 (2021: HK$974,000) under various employee retention schemes payments in Hong Kong, Singapore and Malaysia to provide a time-limited financial support.

There are no unfulfilled conditions or contingencies attached to these subsidies.

(ii) On 10 September 2022, the Group entered into a deed of settlement with Ovato Limited ("Ovato") in which Ovato released all claims in connection with the business combination and other payables from the Group. Aggregate amount HK$4,484,000 was recognised as other income.

8. FINANCE COSTS

	2022	2021
	HK$'000	HK$'000
Interest charges on bank borrowings, which contain repayment on demand clause	12,611	4,696
Interest on lease liabilities (Note 24)	5,004	3,731
Imputed interest on financial liabilities arising from put option (Note 35)	–	97
Amortisation of debt issuance costs and bank fees	478	–
	18,093	8,524

NOTES TO THE FINANCIAL STATEMENTS

9. PROFIT BEFORE INCOME TAX

	2022	2021
	HK$'000	HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration (Note (i) below)	5,642	2,253
Provision for/(reversal of) impairment on trade and other receivables (Note 20)	30,713	(2,899)
Reversal of/(provision for) impairment of loans to an associate (Note 18)	2,600	(1,600)
Cost of inventories recognised as direct operating costs	1,664,664	1,290,531
Provision for/(written back of) inventories, net, included in cost of inventories recognised as direct operating costs (Note 19)	14,072	(2,926)
Depreciation of owned property, plant and equipment (Note 15 and Note (ii) below)	43,335	41,797
Depreciation of right-of-use assets (Note 16 and Note (ii) below)	47,768	31,001
Amortisation of intangible assets, less amortisation of pre-publication cost (Note 17)	1,596	–
Amortisation of pre-publication costs recognised as direct operating costs (Note 17)	104,027	–
Written off of pre-publication costs recognised as direct operating costs (Note 17)	19,684	–
Short-term leases expenses	4,396	2,743
Gain on disposal of an associate (Note 18)	(31,285)	–
Loss on lease modification (Note 16 and Note 24)	950	–
Loss on financial assets at fair value through profit or loss	2,635	–
Loan interest income (Note 7)	(4,269)	(3,593)
Debt forgiveness	(4,484)	–
Employee benefit expense, including directors' emoluments (Note 11 and Note (iii) below)	522,947	355,977

Notes:

(i) Auditor's remuneration for other non-audit services of HK$782,000 was recognised during the year (2021: HK$205,000).

(ii) Depreciation of owned property, plant and equipment of HK$35,728,000 (2021: HK$37,553,000) and HK$7,607,000 (2021: HK$4,244,000) have been included in cost of inventories recognised as direct operating costs and administrative expenses respectively.

Depreciation of right-of-use assets of HK$26,035,000 (2021: HK$20,095,000) and HK$21,733,000 (2021: HK$10,906,000) have been included in cost of inventories recognised as direct operating costs and administrative expenses respectively.

(iii) Employee benefit expense of HK$309,629,000 (2021: HK$229,763,000), HK$111,723,000 (2021: HK$60,695,000) and HK$101,595,000 (2021: HK$65,519,000) have been included in cost of inventories recognised as direct operating costs, selling and distribution costs and administrative expenses respectively.

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of the emoluments paid or payable to the directors, including the chief executive are as follows:

	Fee	Salaries and allowances	Retirement benefit scheme contributions	Equity-settled share-based payment expenses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2022					
Executive directors					
Mr. Lau Chuk Kin	–	1,800	–	45	1,845
Mr. Chu Chun Wan	–	2,232	171	45	2,448
Ms. Lam Mei Lan	–	3,520	18	638	4,176
Non-executive director					
Mr. Guo Junsheng	120	–	–	45	165
Mr. Li Hoi, David	120	–	–	45	165
Independent non-executive directors					
Mr. Yeung Ka Sing	240	–	–	45	285
Prof. Lee Hau Leung	210	–	–	45	255
Dr. Ng Lai Man, Carmen	210	–	–	45	255
Mr. Ho Tai Wai David (appointed on 28 December 2022)	212	–	–	–	212
	1,112	7,552	189	953	9,806
2021					
Executive directors					
Mr. Lau Chuk Kin	–	2,100	–	45	2,145
Mr. Chu Chun Wan	–	2,115	164	45	2,324
Ms. Lam Mei Lan	–	3,750	18	638	4,406
Non-executive director					
Mr. Guo Junsheng	120	–	–	45	165
Mr. Li Hoi, David	120	–	–	45	165
Independent non-executive directors					
Mr. Yeung Ka Sing	240	–	–	45	285
Prof. Lee Hau Leung	210	–	–	45	255
Dr. Ng Lai Man, Carmen	210	–	–	45	255
	900	7,965	182	953	10,000

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

During each of the two years ended 31 December 2022 and 2021, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2021: two) directors whose emolument are reflected in the analysis presented above. Emoluments payable to the remaining three (2021: three) individuals during the year are as follows:

	2022	2021
	HK$'000	HK$'000
Salaries, allowances and other benefits	7,649	7,692
Retirement benefit scheme contributions	174	173
Equity-settled share-based payment expenses	483	483
	8,306	8,348

Their emoluments fell within the following bands:

	Number of individuals	
	2022	2021
Emolument bands		
HK$1,500,001 – HK$2,000,000	–	–
HK$2,000,001 – HK$2,500,000	1	1
HK$2,500,001 – HK$3,000,000	1	1
HK$3,000,001 – HK$3,500,000	1	1
	3	3

During each of the two years ended 31 December 2022 and 2021, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Emoluments paid or payable to members of senior management were within the following bands:

	Number of individuals	
	2022	2021
Emolument bands		
Nil – HK$1,000,000	–	1
HK$1,000,001 – HK$1,500,000	5	5
HK$1,500,001 – HK$2,000,000	4	4
HK$2,000,001 – HK$2,500,000	1	1
HK$2,500,001 – HK$3,000,000	1	1

11. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2022	2021
	HK$'000	HK$'000
Directors' fees	1,112	900
Wages, salaries and other benefits	494,518	334,713
Equity-settled share-based payments expenses	4,801	4,816
Retirement benefit scheme contributions	22,516	15,548
	522,947	355,977
Less: capitalised as pre-publication cost under intangible assets	(59,897)	–
	463,050	355,977

12. INCOME TAX EXPENSE

For years ended 31 December 2022 and 2021, under the two-tiered profits tax rate regime, Hong Kong Profits Tax of the qualifying group entity with chargeable profits in Hong Kong is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. Profits of group entities with chargeable profits in Hong Kong not qualified for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

The Group's subsidiaries in Australia, UK and USA are subject to domestic tax rate of 30% (2021: 30%), 19% (2021: nil) and 27% (2021: nil) respectively on the estimated assessable profits.

Taxation on other overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2022	2021
	HK$'000	HK$'000
Current tax – Hong Kong profits tax		
Tax for the year	27,368	27,399
Over provision in prior years	(10)	(1,879)
	27,358	25,520
Current tax – Australia		
Tax for the year	5,219	6,334
Over provision in prior years	(388)	–
	4,831	6,334
Current tax – other overseas countries		
Tax for the year	22,703	474
Under provision in prior years	–	140
	22,703	614
Deferred tax (Note 26)		
Charged during the year	6,817	2,637
	61,709	35,105

NOTES TO THE FINANCIAL STATEMENTS

12. INCOME TAX EXPENSE (Continued)

Reconciliation between income tax expense and accounting profit at applicable tax rates is as follows:

	2022	2021
	HK$'000	HK$'000
Profit before income tax	347,518	177,130
Notional tax calculated at the rates applicable to the profits in the tax jurisdictions concerned	63,035	30,784
Tax effect of non-taxable income	(8,376)	(5,638)
Tax effect of non-deductible expenses	3,210	4,038
Tax effect of temporary differences not recognised	3,836	2,165
Tax effect of tax losses not recognised	2,543	2,108
PRC dividend withholding tax	–	400
Others	(2,141)	2,992
Over provision in prior years	(398)	(1,744)
Income tax expense	61,709	35,105

13. DIVIDENDS

	2022	2021
	HK$'000	HK$'000
Final dividend paid in respect of prior year of HK$0.06 (2021: HK$0.05) per share	46,200	38,500
Interim dividend paid in respect of current year of HK$0.03 (2021: HK$0.03) per share	23,100	23,100
Dividend in respect of shares held under share award scheme	(2,662)	(2,367)
	66,638	59,233

At a meeting held on 31 March 2023, the directors recommended a final dividend of HK$0.07 per ordinary share and a special dividend of HK$0.03 per ordinary share, amounting to approximately HK$53,900,000 and HK$23,100,000 correspondingly, in aggregate based on the total number of ordinary shares in issue at that date. This proposed final dividend and special dividend are not reflected as a dividend payable in these financial statements, but reflected as an appropriation of retained earnings for the year ended 31 December 2022.

There are no income tax consequences related to the payment of dividends by the Company to its shareholders.

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK$219,911,000 (2021: HK$132,491,000) and on the weighted average number of ordinary shares in issue less shares held under share award scheme that have not been vested unconditionally to the employees during the year of 740,417,090 (2021: 740,417,090).

For the year ended 31 December 2022, the calculation of diluted earnings per share is based on the profit attributable to owners of the Company of approximately HK$219,911,000 and on the following data:

	2022	2021
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	740,417,090	740,417,090
Effect of dilutive potential ordinary shares:		
– Share awards	9,167,315	5,063,805
	749,584,405	745,480,895

NOTES TO THE FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in Progress	Land and buildings	Furniture and fixtures	Office equipment	Leasehold improvements	Computer equipment and systems	Motor vehicles	Machinery	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2021									
Opening net book amount	–	14,202	407	2,734	7,228	963	2,214	182,014	209,762
Exchange differences	–	(618)	(12)	1	106	(33)	(17)	392	(181)
Additions	–	6,535	206	783	6,186	433	918	32,321	47,382
Disposals	–	–	(7)	–	(15)	–	(320)	(465)	(807)
Depreciation	–	(1,173)	(145)	(771)	(3,171)	(560)	(751)	(35,226)	(41,797)
Closing net book amount	–	18,946	449	2,747	10,334	803	2,044	179,036	214,359
At 31 December 2021									
Cost	–	27,026	5,495	10,502	71,737	17,430	6,759	480,422	619,371
Accumulated depreciation	–	(8,080)	(5,046)	(7,755)	(61,403)	(16,627)	(4,715)	(301,386)	(405,012)
Net book amount	–	18,946	449	2,747	10,334	803	2,044	179,036	214,359
Year ended 31 December 2022									
Opening net book amount	–	18,946	449	2,747	10,334	803	2,044	179,036	214,359
Exchange differences	–	(810)	(38)	(106)	(784)	(137)	(35)	(11,580)	(13,490)
Additions	10,873	1,283	2,595	452	9,819	2,132	820	56,575	84,549
Acquired through business combination (Note 33)	–	–	32	8	3,253	1,487	–	2,441	7,221
Impairment loss	(4,511)	(5,461)	(475)	–	–	–	–	(13,295)	(23,742)
Disposals	–	–	(1)	(460)	–	(19)	–	(440)	(920)
Depreciation	–	(1,016)	(166)	(765)	(5,824)	(1,166)	(747)	(33,651)	(43,335)
Closing net book amount	6,362	12,942	2,396	1,876	16,798	3,100	2,082	179,086	224,642
At 31 December 2022									
Cost	6,362	21,428	7,576	8,776	82,478	19,625	6,673	484,751	637,669
Accumulated depreciation	–	(8,486)	(5,180)	(6,900)	(65,680)	(16,525)	(4,591)	(305,665)	(413,027)
Net book amount	6,362	12,942	2,396	1,876	16,798	3,100	2,082	179,086	224,642

As at 31 December 2022 and 2021, the Group's land and buildings represented (1) freehold land and buildings of HK$4,322,000 (2021: HK$3,874,000), which are situated in Australia; and (2) leasehold buildings of HK$8,620,000 (2021: HK$15,072,000), which are situated in Malaysia.

As at 31 December 2022, the net book value of assets under construction includes an amount of HK$6,362,000 (2021: nil) relating to the Group's new printing factory, which is currently under construction situated in Malaysia. The cost of the factory will be depreciated once the property is complete and available for use. The estimated cost to completion of the property to which the Group is contractually committed, is HK$18,556,000 (2021: nil). No interest or borrowing costs was capitalised during the year.

As at 31 December 2022, the Group assessed the impairment of property plant and equipment under one of the CGU group, the Papercraft CGU Group identified in Note 17, and a provision for impairment of HK$23,742,000 (2021: nil) on certain construction in progress, land and buildings, furniture and fixtures and machinery was made after the assessment.

Carrying amount of leasehold improvements, furniture and fixtures and machinery amounted HK$10,366,000 (2021: nil) has been pledged as security for the Group's certain bank borrowings (Note 23).

16. RIGHT-OF-USE ASSETS

	Leasehold land	Leased properties	Plant and equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2021	5,781	88,939	1,846	96,566
Adjustments arising from sub-leases	–	(3,663)	–	(3,663)
Additions	2,562	7,894	3	10,459
Depreciation	(230)	(29,667)	(1,104)	(31,001)
Exchange differences	(143)	(641)	(59)	(843)
At 31 December 2021 and at 1 January 2022	7,970	62,862	686	71,518
Acquired through business combinations (Note 33)	–	36,380	609	36,989
Additions	–	42,627	24,127	66,754
Depreciation	(243)	(40,832)	(6,693)	(47,768)
Impairment	(2,974)	(1,765)	–	(4,739)
Lease modification	–	(8,487)	(9,340)	(17,827)
Exchange differences	(207)	308	(1,812)	(1,711)
At 31 December 2022	4,546	91,093	7,577	103,216

As at 31 December 2022, the Group's leasehold land are situated in Malaysia with lease term expiring in 2054 - 2055.

As at 31 December 2022 and 2021, the Group leases a number of properties and production equipment for its operations. The leases run for an initial period which ranged from one to ten years (2021: one to ten years) for leased properties and ranged from two to five years (2021: two to five years) for leased plant and equipment. Lease terms are negotiated on an individual basis. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. There is no extension or termination options and residual value guarantees for these leases. There is no variable lease payments not included in lease liabilities.

As at 31 December 2022, the Group assessed the impairment of right-of-use assets under one of the CGU group, the Papercraft CGU Group which identified in Note 17, and a provision for impairment of HK$2,974,000 (2021: nil) on certain leasehold land was made after the assessment.

As at 31 December 2022, the Group assessed two of the leased premises that became vacant and having difficulty in subletting those premises during the year after relocation of business office in UK and USA, due to the short remaining lease term. Provision for impairment of HK$1,765,000 (2021: nil) on certain leasehold properties was provided.

As at 31 December 2022, leased properties amounted HK$49,436,000 (2021: nil) has been pledged as security for the Group's certain bank borrowings (Note 23).

NOTES TO THE FINANCIAL STATEMENTS

17. INTANGIBLE ASSETS

	Goodwill	Customer relationship	Pre-publication costs	Backlists	Software	Customer contract	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2021							
Cost	203,735	9,700	–	–	–	–	213,435
Amortisation and impairment	(1,294)	(9,700)	–	–	–	–	(10,994)
Net carrying amount	202,441	–	–	–	–	–	202,441
Year ended 31 December 2021							
Opening net carrying amount	202,441	–	–	–	–	–	202,441
Impairment for the year	(18,481)	–	–	–	–	–	(18,481)
Exchange differences	(6,035)	–	–	–	–	–	(6,035)
Closing net carrying amount	177,925	–	–	–	–	–	177,925
At 31 December 2021 and 1 January 2022							
Cost	197,700	9,700	–	–	–	–	207,400
Amortisation and impairment	(19,775)	(9,700)	–	–	–	–	(29,475)
Net carrying amount	177,925	–	–	–	–	–	177,925
Year ended 31 December 2022							
Opening net carrying amount	177,925	–	–	–	–	–	177,925
Acquired through business combination (Note 33)	–	–	222,380	5	203	2,048	224,636
Addition	150,418	–	114,976	–	–	–	265,394
Written off	–	–	(19,684)	–	–	–	(19,684)
Amortisation	–	–	(104,027)	–	(203)	(1,393)	(105,623)
Exchange differences	(6,609)	–	(14,058)	(1)	–	–	(20,668)
Closing net carrying amount	321,734	–	199,587	4	–	655	521,980
At 31 December 2022							
Cost	341,509	9,700	266,542	4	203	2,048	620,006
Amortisation and impairment	(19,775)	(9,700)	(66,955)	–	(203)	(1,393)	(98,026)
Net carrying amount	321,734	–	199,587	4	–	655	521,980

17. INTANGIBLE ASSETS (Continued)

Goodwill is allocated to the Group's CGUs, or group of CGUs, based on how the goodwill is monitored for internal management purposes. Summary of goodwill which arose from acquisitions of subsidiaries and business is presented below:

	2022	2021
	HK$'000	HK$'000
Asia Pacific Offset Limited ("APOL")	56,132	56,132
Griffin Press Printing Pty Ltd ("Griffin")#	12,374	–
OPUS Group Pty. Ltd. ("OPUS")	89,145	94,052
Papercraft Sdn. Bhd. ("Papercraft")*	–	–
Regent Publishing Services Limited ("Regent")	27,741	27,741
The Quarto Group, Inc.("Quarto")^	136,342	–
	321,734	177,925

\# Griffin was acquired during the year with the main purpose of expanding the book printing business and market share in Australia, as the Group is optimistic with the development of printing industry. Accordingly, the goodwill which arose from the acquisition of book printing business had been allocated, from the acquisition date, to the CGU.

* Papercraft was acquired during 2020 with the main purpose as an extension to the production facilities for C.O.S. Printers Pte. Ltd. (COS), a subsidiary incorporated in Singapore and provide the printing services to the Group. Accordingly, the goodwill which arose from the acquisition of Papercraft had been allocated, from the acquisition date, to the group of CGUs represented by COS and Papercraft (the "Papercraft CGU Group") as this group of CGUs represents the lowest level within the Group at which the goodwill is being monitored for internal management purposes.

^ Quarto was acquired during the year with the main purpose of strengthen the supply chain capability by gaining visibility of the end-to-end supply chain of the book industry and tighter integration of planning, procurement, production and logistics functions across the publishing and print manufacturing segments. Accordingly, the goodwill which arose from the acquisition of Quarto had been allocated, from the acquisition date, to the CGU.

The recoverable amounts for the CGUs or group of CGUs were determined based on value–in-use calculations using discounted cash flow technique. These calculations use cash flow projections based on financial budgets approved by management covering a 5-year period, which were mainly based on the actual results of these CGUs or group of CGUs for the current year. Cash flows beyond the 5-year period are extrapolated using the estimated growth rates as stated below. The growth rate does not exceed the long-term average growth rate for the printing business in which the CGUs or group of CGUs operates. The discount rates used for value–in-use calculations are pre-tax and reflect specific risks relating to the relevant CGUs or group of CGUs.

NOTES TO THE FINANCIAL STATEMENTS

17. INTANGIBLE ASSETS (Continued)

The key assumptions used for recoverable amounts are as follows:

	Growth rate		Discount rate	
	2022	2021	2022	2021
APOL	0%	0%	13%	11%
Griffin	0%	N/A	13%	N/A
OPUS	0%	0%	12%	11%
Papercraft CGU Group	0%	0%	13%	13%
Quarto	0%	N/A	15%	N/A
Regent	0%	0%	13%	11%

Apart from the considerations described above in determining the recoverable amounts of the CGUs or group of CGUs, management is not aware of any other probable changes that would necessitate changes in the key assumptions. As at 31 December 2022 and 31 December 2021, management determines that the CGUs or group of CGUs containing goodwill do not suffer any impairment, except Papercraft CGU Group.

As at 31 December 2022, Papercraft CGU Group noted an impairment indicator of incurred loss for the year due to the increase in material cost and procurement cost in Malaysia during the year, which suffered an impairment loss amounted to HK$26,716,000 (2021:18,481,000). The Papercraft CGU Group comprises two operating entities, being COS and Papercraft, which are principally engaged in providing printing services in the Group. Papercraft CGU is engaged in manufacturing for sale of paper-based stationery products in Malaysia whilst COS CGU is engaged in printing of periodicals, books and magazines. As at 31 December 2022, as the carrying amount of the Papercraft CGU Group was higher than its estimated recoverable amount of HK$40,838,000 (2021: HK$60,254,000), an impairment loss for of the Papercraft CGU Group was recognised. The impairment loss was allocated to the non-financial assets of the Papercraft CGU Group by pro rata basis, which impairment of property, plant and equipment of HK$23,742,000 (Note 15) and impairment of right-of-use assets of HK$2,974,000 (Note 16) have been provided respectively (2021: impairment of goodwill of HK$18,481,000).

During the year, the Group spent HK$114,976,000 (2021: nil) on development of book titles prior to their publication. No borrowing costs have been capitalized in current year.

As at 31 December 2022, the Group assessed the probability of expected future economic benefits from unpublished titles and written off those unpublished titles when no future economic benefits are expected from its use or disposal. Pre-publication costs with carry amount HK$19,684,000 has been written off and recognised in direct operating costs after the assessment.

17. INTANGIBLE ASSETS (Continued)

Customer contract arose from the acquisition of Quarto during the year. In accordance with HKFRS 3 "Business Combination", the Group recognised Quarto's assets and liabilities which included intangible assets at the acquisition date. The fair value of customer contract of HK$2,048,000 on the acquisition date was determined based on a valuation performed by an independent professional valuer, BMI Appraisals Limited. The valuation was determined based on the multi-period excess earnings method of income approach. The balance expected to be fully amortised in 2023.

Non-contractual customer relationship arose from the acquisition of Regent in 2017. The balance has been fully amortised in 2020.

As at 31 December 2022, total pre-publication costs, backlist and software amounted HK$198,441,000 (2021: nil) has been pledged as security for the Group's certain bank facilities (Note 23).

18. INTEREST IN AN ASSOCIATE/LOANS TO AN ASSOCIATE

	2022	2021
	HK$'000	HK$'000
Interest in an associate (non-current assets):		
Share of net assets other than goodwill	–	108,682
Goodwill	–	80,452
	–	189,134
Loans to an associate:		
Advances to an associate	–	132,090
Expected credit loss	–	(2,600)
	–	129,490

Details of the Group's associate as at 31 December 2022 are as follows:

Name	Place of incorporation, operation and principal activity	Percentage of ownership interests/ voting rights/ profit share
The Quarto Group, Inc.	Incorporation in the State of Delaware, United States. Publishing operations in United States of America and United Kingdom	– (2021: 41.23%)

NOTES TO THE FINANCIAL STATEMENTS

18. INTEREST IN ASSOCIATE/LOAN TO AN ASSOCIATE (Continued)

The shares of Quarto are listed on the London Stock Exchange. In 2021, the Group acquired additional 4.56% equity interests in Quarto with a total consideration of HK$17,751,000 and increased its shareholding in Quarto from 36.7% to 41.2%.

During the period from 1 January 2022 up to 26 January 2022, the Group further increased its shareholdings from 41.2% to 44.6% in Quarto with a total consideration of HK$19,280,000 through the open market purchases of shares of Quarto.

On 1 April 2022, the Group acquired 4.6% of the issued share of Quarto from an independent third party, at a consideration of HK$23,130,000 (the "Acquisition of Quarto Shares"). After the Acquisition of Quarto Shares, the Group became interested in 49.2% of the equity interest in Quarto. The Directors considered Quarto as a subsidiary of the Company as the Group gained control over Quarto thereafter.

The Acquisition of Quarto Shares resulted in the disposal of the interest in an associate. The Group re-measured the fair value of its previously held equity interest in Quarto as at the date of the disposal. The excess of the fair value of the previously held equity interest over the carrying value of Quarto of HK$31,285,000 was recognised as gain on disposal of investment in an associate included in "Other income" in the consolidated statement of profit or loss and other comprehensive income.

	HK$'000
Fair value of previously held equity interest	248,942
Less: carrying amount of previous equity interest	(211,728)
	37,214
Release of exchange reserve	(5,929)
Gain on disposal of an associate	31,285

Summarised financial information of Quarto and its subsidiaries (the "Quarto Group") is as follows:

	As at 31 December 2022	As at 31 December 2021
	HK$'000	HK$'000
Current assets	–	777,525
Non-current assets	–	292,220
Current liabilities	–	(528,799)
Non-current liabilities	–	(277,363)
Net assets	–	263,583
Group's share of the net assets of the associate	–	108,682

18. INTEREST IN ASSOCIATE/LOAN TO ASSOCIATE (Continued)

	Year ended 31 December 2022	Year ended 31 December 2021
	HK$'000	HK$'000
Revenue	216,203	1,170,960
Profit for the year	15,016	76,734
Other comprehensive income	–	(3,404)
Total comprehensive income	15,016	73,330
Dividends received from an associate	–	–
Share of profit of associate	6,503	27,536

The Group assessed the recoverable amount of its interest in Quarto as at 31 December 2021 based on value–in-use calculations using discounted cash flow technique. These calculations used cash flow projections based on financial budgets approved by management covering a 5-year period, which were mainly based on the actual results of the associate for the current year. Cash flows beyond the 5-year period were extrapolated using the estimated growth rate of 0%. The discount rate of 8% used for the value–in-use calculations was pre-tax and reflected specific risks relating to the relevant CGU. Management determined that the Group's interest in Quarto did not suffer any impairment as at 31 December 2021.

Loans to an associate

In November 2018, the Group subscribed for the loan note from Quarto with a principal amount of US$7 million (equivalent to HK$54.6 million) which carries interest rate of 3.5% per annum. As at 31 December 2020, the loan note was unsecured and repayable on 31 August 2021. Subsequent to year end of 2020, on 16 February 2021, the Group further extended the repayment date of the above loan to 31 August 2024 while other terms of the loan remained unchanged.

In February 2021, the Group subscribed for another loan note from Quarto with a principal amount of US$10 million (equivalent to HK$77.3 million) which carries interest rate of 4% per annum. As at 31 December 2021, the loan note was unsecured and repayable on 31 August 2024.

The Group measures the loss allowance for this loan at an amount equal to 12-month ECL. ECL on this balance is estimated with reference to the risk or probability that a credit loss occurs and forward looking information with reference to general macroeconomic conditions that may affect the ability of Quarto to settle the loan. Accordingly, provision for ECL HK$2,600,000 was recognised as provision for impairment of loans to an associate in the consolidated statement of profit or loss and other comprehensive income in prior year. The provision was fully reversed during the year. The balance of the loan was recognised as loan to a subsidiary and eliminated through inter-company eliminations.

NOTES TO THE FINANCIAL STATEMENTS

19. INVENTORIES

	2022	2021
	HK$'000	HK$'000
Raw materials	208,394	176,240
Work-in-progress	64,689	66,086
Finished goods	188,943	10,728
Less: provision for obsolescence	(25,671)	(12,449)
	436,355	240,605

During the year, the Group made a write back of provision for inventories of HK$12,524,000 (2021: HK$4,545,000) made in prior years as the related inventories were sold above their net written down value during the year. The Group also made provision for inventories of HK$26,596,000 (2021: HK$1,619,000) during the year for its slow moving inventories. These amounts are included in "direct operating costs" in profit or loss.

As at 31 December 2022, inventories amounted HK$170,018,000 has been pledged as security for the Group certain bank borrowings (Note 23).

20. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	2022	2021
	HK$'000	HK$'000
Trade receivables	608,792	509,655
Less: Provision for impairment of trade receivables	(30,420)	(15,338)
Trade receivables – net	578,372	494,317
Prepayment and other receivables	71,838	28,303
Less: Provision for impairment of other receivables	(14,687)	–
Prepayment and other receivables – net	57,151	28,303
Deposits	35,484	16,580
	671,007	539,200

Movements in provision for impairment losses of trade and other receivables are as follows:

	2022	2021
	HK$'000	HK$'000
Balance at the beginning of the year	15,338	18,584
Amount written off during the year	(403)	(156)
Impairment losses recognised/(reversed) during the year (Note 9)	30,713	(2,899)
Impairment losses recovered during the year (Note 7)	–	(180)
Exchange difference	(541)	(11)
Balance at the end of the year	45,107	15,338

The Group recognised provision for impairment of trade and other receivables based on the accounting policy in Note 2.9.

20. TRADE AND OTHER RECEIVABLES AND DEPOSITS (Continued)

Ageing analysis of gross carrying amounts of trade receivables as at 31 December 2022, based on the invoice date, is as follows:

	2022	2021
	HK$'000	HK$'000
0 – 30 days	219,125	178,319
31 – 60 days	181,823	132,908
61 – 90 days	111,215	59,147
91 – 120 days	49,004	47,446
121 – 150 days	10,841	30,924
Over 150 days	36,784	60,911
Total trade receivables	608,792	509,655

In general, the Group allows a credit period from 30 to 150 days (2021: 30 to 150 days) to its customers.

The directors consider that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

As mentioned in Note 2.9(ii), the Group applied the simplified approach to provide the expected credit losses prescribed by HKFRS 9. Impairment losses of HK$30,713,000 (2021: reversal of HK$2,899,000) was made against the gross amounts of trade and other receivables during the year. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 39(a).

As at 31 December 2022 and 2021, the Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables.

As at 31 December 2022, there are deposits for acquisition of property, plant and equipment of HK$24,026,000 (2021: HK$3,399,000).

As at 31 December 2022, trade and other receivables amounted HK$312,553,000 has been pledged as security for the Group certain bank borrowings (Note 23).

NOTES TO THE FINANCIAL STATEMENTS

21. PLEDGED DEPOSIT/CASH AND CASH EQUIVALENTS

As at 31 December 2022, the Group had cash and cash equivalents amounted HK$103,530,000 (2021: nil) which has been pledged as security for the Group's certain bank borrowings (Note 23), and pledged deposits amounted HK$147,000 (2021: HK$156,000) which has been pledged as securities for the banking guarantee facilities of a subsidiary.

Cash at banks earned interest at floating rates based on the daily bank deposits rates during the year.

As at 31 December 2022, included in cash and cash equivalents of the Group was HK$16,956,000 (2021: HK$17,162,000) of bank balances denominated in Renminbi ("RMB") placed with the banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

22. TRADE AND OTHER PAYABLES

	2022	2021
	HK$'000	HK$'000
Trade payables	146,947	117,120
Other payables and accruals	332,007	171,814
	478,954	288,934

As at 31 December 2022, ageing analysis of trade payables based on invoice date is as follows:

	2022	2021
	HK$'000	HK$'000
0 – 30 days	89,281	64,335
31 – 60 days	31,433	36,243
61 – 90 days	13,170	12,780
91 – 120 days	8,632	2,892
Over 120 days	4,431	870
	146,947	117,120

22. TRADE AND OTHER PAYABLES (Continued)

Credit terms granted by the suppliers are generally 0 to 90 days (2021: 0 to 90 days). All amounts are short term and hence the carrying values of trade and other payables are considered to be a reasonable approximation to their fair values.

Breakdown of other payables and accruals:

	2022	2021
	HK$'000	HK$'000
Staff costs and commission payables	41,611	29,458
Volume rebate payables	58,515	42,369
Severance payment provision	41,837	36,839
Contract liabilities (Note (i))	45,454	24,152
Accrued charges	13,438	8,697
Payables for the acquisition of a subsidiary (Note (ii))	–	3,019
Royalty payables	33,110	–
Sales return provision	37,964	–
Others	60,078	27,280
	332,007	171,814

Note:

(i) All contract liabilities at year ends arose from sales of goods. The Group may take a certain deposit on acceptance of the order, with the remainder of the consideration payable at the delivery of the finished goods. The deposits remain as contract liabilities until such time as the goods are delivered. No element of financing is deemed present as the sales are made with a credit term which is consistent with market practice.

Movements in contract liabilities

	2022	2021
	HK$'000	HK$'000
At 1 January	24,152	14,331
Acquired through business combination	38,529	–
Amount recognised as revenue during the year	(108,636)	(13,825)
Amount received in advance from customers during the year	94,413	23,646
Exchange difference	(3,004)	–
At 31 December	45,454	24,152

The Group expected the balance will recognise as revenue within one year.

(ii) On 11 February 2020, Anson Worldwide Limited, a 93% indirectly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party to acquire entire equity interest in Papercraft, a company incorporated in Malaysia with the consideration of HK$42.8 million. The balance represented consideration payable for the acquisition of Papercraft. The consideration was fully was fully settled during the year.

NOTES TO THE FINANCIAL STATEMENTS

23. BANK BORROWINGS

	2022	2021
	HK$'000	HK$'000
Current portion		
– Bank loans due for repayment within one year or contain a repayment on demand clause	428,352	261,967
Non-current portion		
– Bank loans due for repayment in the second year	10,135	–
Total bank borrowings	438,487	261,967

As at 31 December 2022, bank borrowings of approximately HK$394,412,000 (2021: HK$261,967,000) are supported by the corporate guarantees by the Company and interest bearing at floating rates, and bank borrowings of approximately HK$44,075,000 (2021: nil) are secured by the joint guarantee and the Group's certain plant, property and equipment (Note 15), right-of-use assets (Note 16), intangible assets (Note 17) inventories (Note 19), cash and cash equivalents (Note 21), and share charges over the equity interests of 39 subsidiaries of the Company (Note 37).

The ranges of interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2022	2021
Variable-rate borrowings	SOFR+ margin (3%) EUROBOR + margin (3%) HIBOR+1.8 to 2.0%	HIBOR+1.8 to 2.0%

No interest was capitalised for the years ended 31 December 2022 and 2021.

Assuming that the banks do not exercise the clause for repayment on demand and based on the repayment dates as scheduled in the loan agreements, the Group's bank borrowings are due for repayments, as at each of the reporting dates, as follows:

	2022	2021
	HK$'000	HK$'000
Within one year	216,232	108,464
In the second year	160,135	101,989
In the third to fifth year	62,120	51,514
Wholly repayable within five years	438,487	261,967

Effective interest rates of bank borrowings range from 1.90% to 6.40% (2021: from 1.86% to 2.20%) per annum for the year.

23. BANK BORROWINGS (Continued)

The carrying amounts of the Group's bank borrowings which are denominated in the following currencies are as follows:

	2022	2021
	HK$'000	HK$'000
HK$	394,413	261,967
EUR	2,085	–
US$	41,989	–
	438,487	261,967

24. LEASES

The Group as a lessee

	2022	2021
	HK$'000	HK$'000
Balance as at 1 January	73,729	98,884
Acquired through business combination (Note 33)	40,029	–
Additions	64,346	7,897
Lease modification	(16,876)	–
Interest expense	5,004	3,731
Lease payments	(50,198)	(36,129)
Exchange adjustments	(2,555)	(654)
Balance as at 31 December	113,479	73,729
Represented by:		
Current liabilities	36,390	29,908
Non-current liabilities	77,089	43,821
	113,479	73,729

24. LEASES (Continued)

The Group as a lessee (Continued)

Future lease payments are due as follows:

	Minimum lease payments	Interest	Present value
	HK$'000	HK$'000	HK$'000
As at 31 December 2022			
Due within one year	40,820	4,430	36,390
Due in the second to fifth years	75,131	6,333	68,798
Due over fifth year	8,597	306	8,291
	124,548	11,069	113,479
As at 31 December 2021			
Due within one year	32,335	2,427	29,908
Due in the second to fifth years	46,313	2,492	43,821
	78,648	4,919	73,729

The Group as a lessor

The Group has sub-leased out its offices to a number of tenants for the same lease terms as the head lease and therefore the Group classified these lease as finance leases.

	2022	2021
	HK$'000	HK$'000
Balance as at 1 January	2,840	507
Addition	–	3,663
Interest income	(48)	(64)
Lease receipts	(1,094)	(1,266)
Balance as at 31 December	1,698	2,840
Represented by:		
Current	1,165	1,142
Non-current	533	1,698
	1,698	2,840
Total cash inflow for sub-leases	1,142	1,330

24. LEASES (Continued)

The Group as a lessor (Continued)

Future lease receipts are due as follows:

	Minimum lease receipts	Interest	Present value
	HK$'000	HK$'000	HK$'000
As at 31 December 2022			
Due within one year	1,190	25	1,165
Due in the second to fifth years	535	2	533
	1,725	27	1,698
As at 31 December 2021			
Due within one year	1,190	48	1,142
Due in the second to fifth years	1,726	28	1,698
	2,916	76	2,840

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Recurring fair value measurements

	2022		2021	
	Level 2	Level 3	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at fair value through profit or loss:				
Unlisted convertible note (Note i)	–	–	–	–
Forward foreign exchange contracts (Note ii)	11	–	37	–
Net fair values	11	–	37	–

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(a) Recurring fair value measurements (Continued)

Note:

(i) On 24 May 2022, the Group entered into a subscription agreement to subscribe the convertible note of Ovato Limited ("Ovato") at a consideration of AUD2,500,000 (equivalent to approximately HK$13,875,000). The subscription was completed on 17 June 2022. In the opinion of the directors of the Company, the subscription of convertible note has no connection with the business acquisition of Ovato's printing business as stated in Note 29 on 24 May 2022, on the basis that the subscription was for the purpose of providing an opportunity for the Group to acquire equity interest in Ovato. This was considered beneficial to the Group. The principal activity of Ovato is commercial printing, catalogue printing, magazine and newspaper printing and packing printing. Details of the key contractual terms on the subscription agreement are set out below.

Principle amount	AUD2,500,000
Issue date	17 June 2022
Maturity date	25 November 2023
Coupon rate	0%
Conversion Period	From 17 June 2022 to 25 November 2023
Conversion Price	AUD0.14 per share, which subject to adjustment

The convertible note has been recognised as financial assets mandatorily measured at fair value through profit or loss at the initial recognition. During the year ended 31 December 2022, a fair value loss of HK$2,635,000 on the convertible note has been recognised in profit or loss.

On 19 September 2022, the Group entered into an agreement with Ovato to split the convertible note to principle amount of AUD2,000,000("Convertible Note A") and AUD500,000 ("Convertible Note B") (the "Convertible Note Split"), subsequently, the Group disposed the Convertible Note A amount of AUD2,000,000 (equivalent to approximately HK$9,900,000) to Mr. Lau Chuk Kin (the "Convertible Note Disposal"), the director of the Company, for a consideration of AUD2,000,000 (equivalent to approximately HK$9,900,000) and settled in cash. Upon the date of the Convertible Note Disposal, the carrying amount of the Convertible Note A was to be derecognised at the fair value as at the date of disposal.

(ii) These relate to the forward foreign exchange contracts which are considered by management as part of economic hedging arrangements but have not been formally designated as hedges in accordance with HKFRS 9. These foreign exchange contracts were stated at fair value as described in Note 4.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(b) Fair values of financial instruments carried at other than fair value

Loans to an associate, loan receivables, lease receivables, trade and other receivables, trade and other payables, bank and other borrowings and lease liabilities are carried at cost or amortised cost which are not materially different from their fair values as at 31 December 2022 and 31 December 2021.

(c) Measurement of fair values

The fair value of forward foreign exchange contracts and convertible note is measured using the applicable forward exchange rates and market prices respectively at the reporting date.

26. DEFERRED TAX ASSETS/LIABILITIES

Deferred taxation is calculated on temporary differences under liability method using the rates of taxation prevailing in the countries in which the Group operates.

Details of deferred tax assets/(liabilities) recognised and movement during the current and prior years are as follows:

	Accelerated tax depreciation		Fair value arising from acquisition of subsidiary		Impairment of trade receivables		Write-down of inventories		Provisions and accruals and others		PRC dividend withholding tax		Intangible Assets		Capital raising cost		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January	(3,925)	(3,254)	(2,531)	(2,639)	439	575	792	2,068	16,704	14,801	(3,400)	(3,000)	–	–	2,211	4,670	10,290	13,221
Acquired through business combination (Note 33)	(217)	–	(1,165)	–	2,703	–	2,691	–	23,099	–	–	–	(31,154)	–	–	–	(4,043)	–
Addition	–	–	–	–	–	–	–	–	419	–	–	–	–	–	–	–	419	–
(Charged)/credited to profit or loss for the current year (Note 12)	(1,717)	(585)	–	–	(545)	(135)	1,074	(1,294)	(1,539)	1,945	–	(400)	(2,362)	–	(1,728)	(2,168)	(6,817)	(2,637)
Exchange differences	407	(86)	167	108	29	(1)	(5)	18	(1,114)	(42)	–	–	2,355	–	(483)	(291)	1,356	(294)
At 31 December	(5,452)	(3,925)	(3,529)	(2,531)	2,626	439	4,552	792	37,569	16,704	(3,400)	(3,400)	(31,161)	–	–	2,211	1,205	10,290

NOTES TO THE FINANCIAL STATEMENTS

26. DEFERRED TAX ASSETS/LIABILITIES (Continued)

For the purpose of presentation in statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022	2021
	HK$'000	HK$'000
Deferred tax assets	42,102	23,200
Deferred tax liabilities	(40,897)	(12,910)
	1,205	10,290

Pursuant to the PRC Corporate Income Tax Law, 10% withholding tax is levied on dividends declared to foreign investment enterprises established in the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The applicable rate to the Group is 5%. The Group is liable to withholding taxes on dividends distributed by the subsidiary established in the PRC in respect of earnings generated from 1 January 2008. As at 31 December 2022 and 2021, deferred tax liabilities HK$3,400,000 and HK$3,400,000 have been recognised in respect of the tax that would be payable on the distribution of the retained profits of the Group's subsidiary established in the PRC.

At the reporting date, the amount of the deferred tax assets not recognised is as follows:

	2022	2021
	HK$'000	HK$'000
Unutilised tax losses	57,398	40,228

As at 31 December 2022 and 2021, deferred tax asset in respect of unused tax losses amounting to HK$11,900,000 and HK$8,597,000 in aggregate has not been recognised in the consolidated financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. All tax losses had no expiry dates under the current tax legislation. There were no other significant temporary differences not recognised as deferred tax assets as at 31 December 2022 and 2021.

27. PROVISIONS

	2022	2021
	HK$'000	HK$'000
Current portion:		
Employee benefit liabilities for annual leave and time in lieu	13,667	10,107
Employee benefit liabilities for long service leave	16,749	12,842
Leasehold dilapidations	1,042	2,559
Others	297	–
Total current portion	31,755	25,508
Non-current portion:		
Employee benefit liabilities for long service leave	1,382	1,504
Leasehold dilapidations	1,331	–
Total non-current portion	2,713	1,504
	34,468	27,012

Long service leave in Australia covers all unconditional entitlements where employees have completed the required period of service and also where employees are entitled to pro-rata payments in certain circumstances. These are classified as current liabilities in cases where the Group does not have an unconditional right to defer settlement. For employees who have not completed the required period of service, their entitlements of long service leave is classified as non-current liabilities.

Leasehold dilapidations relate to the estimated cost of re-instalment of the leasehold properties to its original state at the end of the lease in accordance with the lease terms. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease. The amounts were classified as current or non-current liabilities when the relevant leases will be expired within one year or over one year from the reporting date respectively.

28. SHARE CAPITAL

	2022		2021	
	Number of shares	Amount	Number of shares	Amount
		HK$'000		HK$'000
Ordinary shares of HK$0.01 each				
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	1,500,000,000	15,000	1,500,000,000	15,000
Issued and fully paid:				
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	770,000,000	7,700	770,000,000	7,700

29. SHARE-BASED EMPLOYEE COMPENSATION

Share option scheme of the Company

A share option scheme (the "Share Option Scheme") was adopted by the Group, pursuant to its resolution passed on 22 April 2013 and effective for a period of ten years commencing from the adoption date. The purpose of the Share Option Scheme is to reward participants who have contributed to the Group and to encourage participants to work towards enhancing the value of the Group and its shares for the benefit of the Company and its shareholders as a whole. The directors may, at its discretion, offer to directors, employees of any member of the Group, any advisors and service providers of any member of the Group, options to subscribe for the shares in the Company at a price not less than the highest of: (i) the closing price of the shares of the Company on the SEHK on the date of offer of the option; (ii) the average of the closing prices of the shares on the SEHK for the five trading days immediately preceding the date of the grant of the options; and (iii) the nominal value of a share. A nominal consideration of HK$1 is payable on acceptance of the grant of an option irrespective of numbers of share options granted. The options vest on the condition that the grantee is a director or employee of any member of the Group or any advisor and service provider of any member of the Group from the date of options granted to the commencement date of the exercisable period of the options.

The options are exercisable at any time during the period to be determined and notified by the directors to the grantee at the time of making an offer in respect of any particular option which shall not expire later than 10 years from the date of grant.

The share-based employee compensation is to be settled by the issue of the ordinary shares of the Company. The Group has no legal or constructive obligation to repurchase or settle the options other than in the ordinary shares of the Company. During the year, there was no share option issued under the Share Option Scheme (2021: Nil) and as at 31 December 2022, there was no outstanding share options issued under the scheme (2021: Nil).

At 31 December 2022, the Company had 70,000,000 (2021: 70,000,000) share options available for issue under the Share Option Scheme, which represented approximately 9.1% (2021: 9.1%) of the Company's shares in issue at that date.

29. SHARE-BASED EMPLOYEE COMPENSATION (Continued)

Share award scheme of the Company

A share award scheme (the "Share Award Scheme") was adopted by the Company on 30 December 2013. The purpose of the Share Award Scheme is to recognise and motivate the contribution of participants and to incentivise them to further the operation and development of the Group and to attract suitable personnel for the Group. A trust has been set up and fully funded by the Company for the purpose of purchasing, administrating and holding the Company's shares for the Share Award Scheme. Total number of shares which may be granted to the selected participants under the Share Award Scheme shall not exceed 10% of the total issued share capital (i.e. 77,000,000 shares) of the Company as at the adoption date. The maximum number of shares which may be awarded to a selected participant under the scheme shall not exceed 1% of the issued share capital (i.e. 7,700,000 shares) of the Company as at the adoption date. The Share Award Scheme shall be valid and effective for a term of ten years commencing from the adoption date.

During the year ended 31 December 2022, equity-settled share-based payment expenses of HK$4,801,000 (2021: HK$4,816,000) were recognised in profit or loss and the details are as follows:

	Awarded sum 2022	Number of shares 2022	Awarded sum 2021	Number of shares 2021
	HK$'000		HK$'000	
Outstanding at the beginning of the year	18,997	27,796,000	19,773	28,920,000
Granted during the year	1,596	1,716,000	–	–
Lapsed during the year	–	–	(776)	(1,124,000)
Outstanding at the end of the year	20,593	29,512,000	18,997	27,796,000

29. SHARE-BASED EMPLOYEE COMPENSATION (Continued)

Share award scheme of the Company (Continued)

Date of approval by Board	Date of award	Award sum*	Number of awarded shares	Average fair value per share	Vesting period
		HK$'000		HK$	
Directors					
16.11.2020	16.11.2020	1,822	2,680,000	0.68	36 months
16.11.2020	16.11.2020	1,740	2,560,000	0.68	60 months
Employees					
30.09.2020	30.10.2020	276	400,000	0.69	26 months
30.09.2020	30.09.2020	608	936,000	0.65	37 months
30.09.2020	30.10.2020	3,439	4,984,000	0.69	36 months
30.09.2020	30.10.2020	345	500,000	0.69	41 months
30.09.2020	30.10.2020	39	56,000	0.69	52 months
30.09.2020	30.10.2020	345	500,000	0.69	53 months
30.09.2020	30.10.2020	7,331	10,624,000	0.69	60 months
30.09.2020	30.09.2020	1,219	1,876,000	0.65	61 months
30.09.2020	30.10.2020	690	1,000,000	0.69	65 months
30.09.2020	30.10.2020	80	116,000	0.69	76 months
30.09.2020	30.10.2020	690	1,000,000	0.69	77 months
16.11.2020	16.11.2020	272	400,000	0.68	36 months
16.11.2020	16.11.2020	291	428,000	0.68	43 months
16.11.2020	16.11.2020	585	860,000	0.68	67 months
01.09.2022	01.09.2022	82	88,000	0.93	16 months
01.09.2022	01.09.2022	212	228,000	0.93	24 months
01.09.2022	01.09.2022	1,302	1,400,000	0.93	38 months

* Award sum represents the aggregate fair value of award shares granted, determined based on observable market price of the shares at grant date.

During 2022, the Group granted 1,716,000 shares under the Share Award Scheme.

30. RESERVES

Group

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 038 to 039. Nature and purpose of the reserves is as follows:

(a) *Share premium*

The application of the share premium account is governed by Section 40 of Bermuda Companies Act 1981 (as amended).

(b) *Exchange reserve*

Exchange differences arising from the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong Dollars) are recognised directly in other comprehensive income and accumulated in the exchange reserve. The reserve is dealt with in accordance with the accounting policy of foreign currencies set out in Note 2.5.

(c) *Merger reserve*

This represented the difference between the par value of the shares of the Company issued in exchange for the entire share capital of 1010 Group Limited pursuant to the group reorganisation on 20 June 2011.

(d) *Contributed surplus*

The contributed surplus represents the difference between the costs of investment in subsidiaries acquired pursuant to the Group's reorganisation prior to the listing of the Company's shares and the nominal value of the Company's shares issued in exchange thereof.

The Company's reserves available for distribution comprise its contributed surplus and retained earnings.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(e) *Other reserve*

This represents the difference between the proportionate share of the carrying amount of its subsidiaries' net assets and the consideration paid for the additional interests when the Group acquired non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS

30. RESERVES (Continued)

Group (Continued)

(f) *Statutory reserve*

In accordance with the relevant laws and regulations of the PRC, the PRC subsidiary is required to appropriate 10% of its profit after tax, prepared in accordance with the accounting regulation in the PRC, to the statutory reserve fund until the statutory reserve balance reaches 50% of the registered capital. Such reserve may be used to reduce any losses incurred or to increase capital.

(g) *Put option reserve*

This represented the present value of the expected redemption amount of the Put Option at the grant date in 2017. The option was expired during the year ended 31 December 2021.

(h) *Employee compensation reserve*

This represented cumulative expenses recognised in respect of the granting of share awards to the employees over the vesting period.

(i) ***Share award scheme reserve***

For share award scheme, when the trustee purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as share award scheme reserve and deducted from total equity.

30. RESERVES (Continued)

Company

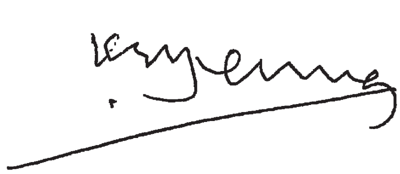
Movements of the Company's reserves are as follows:

	Share premium	Contributed surplus	Proposed dividend	Employee compensation reserve	Shares award scheme reserve	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1 January 2021	173,078	310,125	38,500	788	(21,618)	43,462	544,335
Recognition of equity-settled share-based payment expenses	–	–	–	4,816	–	–	4,816
Shares award lapsed under share award scheme	–	–	–	(248)	–	248	–
Profit for the year	–	–	–	–	–	45,074	45,074
Dividend income in relation to share award	–	–	–	–	–	2,367	2,367
2020 final dividend paid	–	–	(38,500)	–	–	–	(38,500)
2021 Interim dividend paid	–	–	–	–	–	(23,100)	(23,100)
2021 proposed final dividend	–	–	46,200	–	–	(46,200)	–
Balance as at 31 December 2021 and 1 January 2022	173,078	310,125	46,200	5,356	(21,618)	21,851	534,992
Recognition of equity-settled share-based payment expenses	–	–	–	4,801	–	–	4,801
Profit for the year	–	–	–	–	–	87,021	87,021
Dividend income in relation to share award	–	–	–	–	–	2,662	2,662
2021 final dividend paid	–	–	(46,200)	–	–	–	(46,200)
2022 Interim dividend paid	–	–	–	–	–	(23,100)	(23,100)
2022 proposed final dividend	–	–	53,900	–	–	(53,900)	–
2022 proposed special dividend	–	–	23,100	–	–	(23,100)	–
Balance as at 31 December 2022	173,078	310,125	77,000	10,157	(21,618)	11,434	560,176

31. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2022	2021
		HK$'000	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries		313,876	314,876
Current assets			
Other receivables		1,220	3,479
Amounts due from subsidiaries		253,054	224,606
Tax recoverable		6	–
Cash and bank balances		176	92
		254,456	228,177
Current liabilities			
Other payables		424	324
Amounts due to subsidiaries		32	33
Tax payables		–	4
		456	361
Net current assets		254,000	227,816
Net assets		567,876	542,692
EQUITY			
Share capital	28	7,700	7,700
Reserves	30	560,176	534,992
Total equity		567,876	542,692

On behalf of the directors



Yeung Ka Sing
Director

Lau Chuk Kin
Director

32. CAPITAL COMMITMENTS

	2022	2021
	HK$'000	HK$'000
Commitments for acquisition of property, plant and equipment	25,531	2,092

33. BUSINESS COMBINATION

(a) Acquisition of Quarto

On 1 April 2022, the Group acquired 4.6% of the issued share of Quarto from an independent third party, at a consideration of HK$23,130,000. Quarto is a company incorporated in the United States with its shares listed on the Main Market of the London Stock Exchange. Quarto is principally engaged in illustrated book publishing. After the Acquisition, the Group held 49.2% of the equity interest in Quarto. The Directors considered Quarto as a subsidiary of the Company as the Group gained control over Quarto thereafter. The principal reason for this acquisition was establish the Group's diversification strategy to establish the publishing business to generate synergistic value and bring in additional potential revenue for the book printing segment of the Group.

Details of the fair value of identifiable assets and liabilities of Quarto acquired, purchase consideration and goodwill arising from the acquisition were as follows:

	HK$'000
Property, plant and equipment	4,409
Right-of-use assets	32,892
Intangible assets	224,636
Inventories	165,955
Trade and other receivables	307,981
Cash and bank balances	84,299
Trade and other payables	(332,209)
Bank and other borrowings	(105,174)
Lease liabilities	(35,932)
Provisions for taxation	(66,417)
Deferred tax liabilities	(6,896)
Identifiable assets acquired and liabilities assumed	273,544
Non-controlling interest's proportionate share in identifiable assets	(138,859)
Fair value of net assets acquired	134,685
Purchase consideration – cash paid during the year	23,130
Fair value of previously held equity interest	248,942
Goodwill (Note 17)	137,387
Cash and cash equivalents acquired	84,299
Purchase consideration settled in cash	(23,130)
Cash inflow on acquisition of a subsidiary	61,169

NOTES TO THE FINANCIAL STATEMENTS

33. BUSINESS COMBINATION (Continued)

(a) Acquisition of Quarto (Continued)

The fair value of trade and other receivables acquired as of the acquisition date amounted to HK$307,981,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Goodwill of HK$137,387,000, which is not deductible for tax purposes, mainly represented the value of expected synergies arising from the combination of the book publishing business with the existing operations of the Group.

Since the acquisition date, Quarto has contributed HK$875,892,000 to group revenues and HK$113,617,000 to group net profit. If the acquisition had occurred on 1 January 2022, group revenue and profit after income tax would have been HK$2,673,836,000 and group profit for the period would have been HK$294,322,000.

The acquisition-related costs of HK$1,224,000 arose as a result of the transaction. These have been recognised as part of administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Between 1 April 2022 and 31 December 2022, the Group further increased its shareholdings in Quarto with a total consideration of HK$5,898,000 through the open market and Independent Third Parties to purchases the shares of Quarto.

(b) Acquisition of book printing business

On 24 May 2022, OPUS Group Pty Limited ("OPUS"), a non-wholly owned subsidiary of the Company, entered into a business acquisition agreement with Ovato Limited ("Ovato"), an independent third party, pursuant to which, OPUS has conditionally agreed to purchase and Ovato has conditionally agreed to sell its book printing business at an initial consideration of AUD 8,500,000 (equivalent to approximately HK$47,175,000, subject to adjustments as the note below) ("Acquisition of Business"). As all conditions precedent to the business acquisition agreement have been satisfied or waived in accordance with the terms and conditions therein, the Acquisition of Business was completed on 17 June 2022 and was accounted for using acquisition method. The principal reason for this acquisition was to develop strong business connection established with several renowned publishers and consolidate the Group's strong presence in the book printing industry in Australia.

33. BUSINESS COMBINATION (Continued)

(b) Acquisition of book printing business (Continued)

Details of the fair value of identifiable assets and liabilities of the acquired business ("Acquired Business"), purchase consideration and goodwill arising from the acquisition were as follows:

	HK$'000
Property, plant and equipment	2,813
Right-of-use assets	4,097
Inventories	20,399
Trade and other receivables	33,520
Deferred tax asset	2,853
Trade and other payables	(13,386)
Lease liabilities	(4,097)
Provisions	(9,857)
Fair value of net assets acquired	36,342
Consideration	
– Cash consideration paid during the year	47,175
– Deferral consideration	2,198
Goodwill (Note 17)	13,031

The fair value of trade and other receivables acquired as of the acquisition date amounted to HK$33,520,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Goodwill of HK$13,031,000, which is not deductible for tax purposes, mainly represented the value of expected synergies arising from the combination of the Acquired Business with the existing operations of the Group.

Since the acquisition date, the Acquired Business has contributed HK$102,322,000 to revenue and a loss of HK$7,246,000 to the Group. If the acquisition had occurred on 1 January 2022, the Group's revenue and profit after income tax would have been HK$585,046,000 and HK$7,942,000 respectively for the year ended 31 December 2022.

The acquisition-related costs of HK$3,741,000 arose as a result of the transaction. These have been recognised as part of administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

34. NON-CONTROLLING INTERESTS

Material non-controlling interests

As at 31 December 2022, the subsidiaries of the Group which have material non-controlling interests included (1) Left Field Printing Group Limited, a 59.97% (2021: 59.44%) owned subsidiary of the Company, and its subsidiaries (the "Left Field Group"), (2) Regent, a 75% (2021: 75%) owned subsidiary of the Company, and The Quarto Group, Inc. a 50.07% (2021: 41.2%) owned subsidiary of the Company, and its subsidiaries (the "Quarto Group"). The NCI of other subsidiaries that are not 100% owned by the Group are considered to be immaterial. Summarised financial information in relation to non-controlling interests of the Left Field Group and Regent, before intra-group eliminations, is presented below:

	Left Field Group		Regent		Quarto Group	
	2022	2021	2022	2021	2022	2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Proportion of ownership interests and voting rights held by non-controlling interests	40.03%	40.56%	25%	25%	50.07%	–
For the year ended 31 December						
Revenue	505,361	387,267	143,507	132,792	916,022	–
Profit for the year	11,224	18,351	27,377	16,718	113,617	–
Total comprehensive (loss)/income	(3,373)	3,002	27,377	16,718	109,515	–
Profit allocated to non-controlling interests	4,585	7,443	6,844	4,180	56,791	–
Dividends paid to non-controlling interests	6,068	10,114	6,000	5,000	–	–
For the year ended 31 December						
Cash generated from operating activities	4,034	44,926	27,157	32,259	182,714	–
Cash (used in)/generated in investing activities	(96,936)	(2,404)	(5)	3	(139,192)	–
Cash used in financing activities	(32,930)	(37,987)	(25,553)	(21,712)	(158,122)	–
Net cash inflows/(outflows)	(125,832)	4,535	1,599	10,550	(114,600)	–
At 31 December						
Current assets	267,205	290,772	59,883	62,061	586,101	–
Non-current assets	106,921	69,545	3,291	1,329	417,599	–
Current liabilities	(93,842)	(64,764)	(35,603)	(39,197)	(335,994)	–
Non-current liabilities	(25,497)	(22,433)	–	–	(143,138)	–
Net assets	254,787	273,120	27,571	24,193	524,568	–
Accumulated non-controlling interests	101,981	110,785	6,892	6,048	190,845	–

35. FINANCIAL LIABILITIES ARISING FROM PUT OPTION

In March 2017, Magic Omen Limited ("Magic Omen"), an indirect wholly-owned subsidiary of the Company, entered into the share transfer agreement with independent third party to acquire 75% of the entire issued share capital of Regent Publishing Services Limited ("Regent") at a consideration of HK$54,253,000. Regent is engaged in the provision of services for book, magazine and non-book publishers.

On the same date of the share transfer agreement, Magic Omen entered into an option agreement (the "Option Agreement") with Yau Wa Holdings Limited ("Yau Wa"), the 25% non-controlling shareholder of Regent, and Mr. Tai Tin Yau, the managing director of Regent. Pursuant to the Option Agreement and conditional upon the completion of the acquisition, Yau Wa was granted a put option (the "Put Option") and call options (the "Call Options") to sell and purchase, respectively the shares in Regent. The exercise prices of the Put Option and Call Options were based on the net assets value and net profit after tax of Regent at certain time at the formula as set in the Option Agreement. Call Options were cancelled in 2018.

Put Option

In 2017, put option liability of HK$13,906,000 was recognised as a financial liability in the consolidated financial statements, which represented the present value of the expected redemption amount of the Put Option with the corresponding debit to put option reserve in equity. These financial liabilities arising from the Put Option were classified as non-current liabilities at initial recognition as Yau Wa and Mr. Tai could exercise the Put Option at the 4th anniversary of the date of the Put Option agreement (i.e. March 2021). Movement of the financial liabilities arising from the Put Option during the year is as follows:

	2022	2021
	HK$'000	HK$'000
At 1 January	–	15,367
Imputed interest (Note 8)	–	97
Expired during the year	–	(15,464)
At 31 December	–	–
Represented by:		
Current liabilities	–	–
Non-current liabilities	–	–
	–	–

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36. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. In addition to those balances and transactions disclosed elsewhere, details of other significant transactions between the Group and other related parties during the year are disclosed as follows:

During the period up to 31 March 2022, the Group derived printing income of HK$38,456,000 (For the year ended 2021: HK$185,199,000) from Quarto Group (Note 18). As at 31 December 2021, trade receivables of HK$128,997,000 were due from Quarto Group (Note 20). Details of interests in associate and loans to the Associate Group (with impairment assessment under the ECL) are set out in Note 18. During the period up to 31 March 2022, the Group also earned interest income of HK$845,000 (For the period ended 2021: HK$4,579,000) from Quarto Group.

During the year, OPUS Group Pty Limited ("OPUS"), a non-wholly owned subsidiary of the Company, entered into an agreement with Mr. Lau Chuk Kin, the director and substantial shareholder of the Company. OPUS agreed to dispose the Convertible Note A at consideration of AUD2,000,000 (equivalent to approximately HK$9,900,000) to Mr. Lau. The directors are of the opinion that the consideration of the Convertible Note A was fair and reasonable and the Convertible Note Disposal was on normal commercial terms.

Compensation of key management personnel

The key management personnel of the Group are the directors of the Company. Remuneration of the key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends. Details of the remuneration paid to them are set out in Note 10(a) to the financial statements.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of company	Date of incorporation/ establishment	Place/Country of incorporation/establishment and kind of legal entity	Class of shares	Issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company^	Principal activities and place of operations
1010 Group Limited	10 January 2005	Hong Kong, limited liability company	Ordinary	HK$177,000,000	100%	Investment holding, Hong Kong
1010 Printing International Limited 匯星印刷國際有限公司	10 January 2005	Hong Kong, limited liability company	Ordinary	HK$1	100%	Printing, Hong Kong
1010 Printing Asia Limited	3 April 2007	Hong Kong, limited liability company	Ordinary	HK$1	100%	Printing, Hong Kong
1010 Printing (UK) Limited	2 January 2007	United Kingdom, limited liability company	Ordinary	British Pound ("GBP")1,000	100%	Printing services, United Kingdom
Anson Worldwide Limited	8 November 2002	British Virgin Islands ("BVI"), limited liability company	Ordinary	United States Dollars ("US$")10,000	93%	Investment holding, Hong Kong
1010 Printing Limited 匯星印刷有限公司	5 February 2010	Hong Kong, limited liability company	Ordinary	HK$1,000,000	100%	Printing, Hong Kong
Naturbest Investments Limited	15 August 2006	BVI, limited liability company	Ordinary	US$1	100%	Investment holding, Hong Kong
O. G. Printing Productions Limited 海濤製作有限公司	11 August 1989	Hong Kong, limited liability company	Ordinary	HK$500,000	100%	Provision of graphic design, Hong Kong
Oceanic Graphic International Inc.	12 August 2011	USA, limited liability company	Ordinary	US$100,000	100%	Printing, USA
惠州市滙星印刷有限公司	28 January 2011	PRC, sino-foreign equity enterprise	N/A	RMB150,000,000 (registered capital)	100%	Production and distribution of books and publications, PRC
Investor Vantage Limited	12 November 2012	BVI, limited liability company	Ordinary	US$1	100%	Investment holding, Hong Kong
Asia Pacific Offset Limited	15 December 1978	Hong Kong, limited liability company	Ordinary	HK$3,273,369	100%	Provision of printing services, Hong Kong
OPUS Group Pty. Ltd.^^^	7 June 1983	Australia, limited liability company	Ordinary	AUD$26,234,000	59.97% (2021: 59.44%)	Investment holding, Australia
CanPrint Communications Pty Limited^^^	4 September 1997	Australia, limited liability company	Ordinary	AUD$17,333	59.97% (2021: 59.44%)	Production and distribution of published content, Australia
Ligare Pty Ltd^^^	17 September 1979	Australia, limited liability company	Ordinary	AUD$4	59.97% (2021: 59.44%)	Production and distribution of published content, Australia
McPherson's Printing Pty. Ltd. ^^^	1 November 1971	Australia, limited liability company	Ordinary	AUD$10,000	59.97% (2021: 59.44%)	Production and distribution of published content, Australia
Griffin Press Printing Pty Ltd (formerly known as Integrated Print and Logistics Management Pty Ltd)	5 February 1999	Australia, limited liability company	Ordinary	AUD2,300	59.97% (2021: 59.44%)	Production and distribution of published content, Australia
C.O.S. Printers Pte Limited	19 July 1980	Singapore, limited liability company	Ordinary	Singapore Dollars 6,000,000	100%	Production and distribution of published content, Singapore
Asia Pacific Offset Group Limited	2 July 2008	Hong Kong, limited liability company	Ordinary	HK$1,000	100%	Provision of printing services, Hong Kong
Bookbuilders BVI Limited	25 May 1993	BVI, limited liability company	Ordinary	US$10,000	100%	Investment holding, Hong Kong
Regent Publishing Services Limited 麗晶出版社有限公司	23 October 1985	Hong Kong, limited liability company	Ordinary	HK$10,000	75%	Provision of printing services, Hong Kong
Left Field Printing Group Limited ^^ 澳獅環球集團有限公司	18 April 2018	Bermuda, limited liability company	Ordinary	HK$5,069,000	59.97% (2021: 59.44%)	Investment holding, Hong Kong

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37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Date of incorporation/ establishment	Place/Country of incorporation/establishment and kind of legal entity	Class of shares	Issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company^	Principal activities and place of operations
Papercraft Sdn. Bhd.	15 April 1993	Malaysia, limited liability company	Ordinary	MYR5,000,000	93%	Provision of printing services, Malaysia
The Quarto Group, Inc.^^^^	10 October 1986	United States, limited liability company	Ordinary	US$4,088,910	50.07% (2021: 41.2%)	Investment holding, United States
Quarto Publishing Group USA Inc.^^^^^	28 June 2004	United States, limited liability company	Ordinary	US$3.80	50.07% (2021: 41.2%)	Publishing, United States
Quarto, Inc. ^^^^^	16 October 1986	United States, limited liability company	Ordinary	86 shares of no par value	50.07% (2021: 41.2%)	Investment holding, United States
Quarto Publishing plc ^^^^^	1 April 1976	United Kingdom, limited liability company	Ordinary	GBP100,000	50.07% (2021: 41.2%)	Publishing, United Kingdom
QEB Publishing Inc ^^^^^	27 April 2004	United States, limited liability company	Ordinary	1500 shares of no par value	50.07% (2021: 41.2%)	Dormant, United States
Quarto Marketing Inc ^^^^^	26 April 1995	United States, limited liability company	Ordinary	3000 shares of no par value	50.07% (2021: 41.2%)	Investment holding, United States
EYE Quarto Inc ^^^^^	19 December 2002	United States, limited liability company	Ordinary	1000 shares of no par value	50.07% (2021: 41.2%)	Dormant, United States
Quarto Media Inc ^^^^^	10 December 2010	United States, limited liability company	Ordinary	US$1,000	50.07% (2021: 41.2%)	Dormant, United States
Frances Lincoln Limited ^^^^^	15 December 1980	United Kingdom, limited liability company	Ordinary	GBP56,500	50.07% (2021: 41.2%)	Dormant, United Kingdom
RotoVision S.A. ^^^^^#	18 July 1977	Switzerland, limited liability company	Ordinary	SFr750,000	0% (2021: 41.2%)	Dormant, Switzerland
Books & Gifts Direct Limited ^^^^^	27 September 1996	New Zealand, limited liability company	Ordinary	NZ$400,000	50.07% (2021: 41.2%)	Dormant, New Zealand
Global Book Publishing Pty Limited ^^^^^	7 July 1986	United Kingdom, limited liability company	Ordinary	GBP1,000	50.07% (2021: 41.2%)	Dormant, United Kingdom
Quarto Australia Pty Limited ^^^^^##	14 September 1981	Australia, limited liability company	Ordinary	AUD110	0% (2021: 41.2%)	Dormant, Australia
Apple Press Limited ^^^^^	5 June 1984	United Kingdom, limited liability company	Ordinary	GBP100	50.07% (2021: 41.2%)	Dormant, United Kingdom
A. P. Screen Printers Limited ^^^^^	30 September 1980	United Kingdom, limited liability company	Ordinary	GBP1,000	50.07% (2021: 41.2%)	Dormant, United Kingdom
Aurum Press Limited ^^^^^	31 May 1977	United Kingdom, limited liability company	Ordinary	GBP382,502	50.07% (2021: 41.2%)	Investment holding, United Kingdom
Cartographica Press Limited ^^^^^	27 July 1981	United Kingdom, limited liability company	Ordinary	GBP1,000	50.07% (2021: 41.2%)	Dormant, United Kingdom
Design Eye Holdings Limited ^^^^^	22 June 1992	United Kingdom, limited liability company	Ordinary	GBP200	50.07% (2021: 41.2%)	Investment holding, United Kingdom
Frances Lincoln Publishers Limited ^^^^^	11 March 1987	United Kingdom, limited liability company	Ordinary	GBP100	50.07% (2021: 41.2%)	Dormant, United Kingdom
Fine Wine Editions Limited ^^^^^	23 June 1949	United Kingdom, limited liability company	Ordinary	GBP9,020	50.07% (2021: 41.2%)	Dormant, United Kingdom

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Date of incorporation/ establishment	Place/Country of incorporation/establishment and kind of legal entity	Class of shares	Issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company^	Principal activities and place of operations
IQON Editions Limited ^^^^^	5 December 1972	United Kingdom, limited liability company	Ordinary	GBP300	50.07% (2021: 41.2%)	Investment holding, United Kingdom
JR Books Limited ^^^^^	9 September 1986	United Kingdom, limited liability company	Ordinary	GBP43,004	50.07% (2021: 41.2%)	Dormant, United Kingdom
Lewes Holdings Limited ^^^^^	21 July 2005	United Kingdom, limited liability company	Ordinary	GBP208.40	50.07% (2021: 41.2%)	Investment holding, United Kingdom
Marshall Editions Limited ^^^^^	7 February 2002	United Kingdom, limited liability company	Ordinary	GBP1	50.07% (2021: 41.2%)	Dormant, United Kingdom
Marshall Publishing Limited ^^^^^	7 February 2002	United Kingdom, limited liability company	Ordinary	GBP1	50.07% (2021: 41.2%)	Dormant, United Kingdom
QU: ID Publishing Limited ^^^^^	30 September 1980	United Kingdom, limited liability company	Ordinary	GBP100	50.07% (2021: 41.2%)	Dormant, United Kingdom
Quantum Books Limited ^^^^^	7 February 1983	United Kingdom, limited liability company	Ordinary	GBP100	50.07% (2021: 41.2%)	Dormant, United Kingdom
Quarto Children's Books Limited ^^^^^	6 January 1976	United Kingdom, limited liability company	Ordinary	GBP2	50.07% (2021: 41.2%)	Dormant, United Kingdom
Quarto Magazines Limited ^^^^^	20 May 1986	United Kingdom, limited liability company	Ordinary	GBP1,000	50.07% (2021: 41.2%)	Dormant, United Kingdom
Quarto Multi Media Limited ^^^^^	14 December 1984	United Kingdom, limited liability company	Ordinary	GBP1,000	50.07% (2021: 41.2%)	Dormant, United Kingdom
Quill Publishing Limited ^^^^^	14 May 1979	United Kingdom, limited liability company	Ordinary	GBP1,000	50.07% (2021: 41.2%)	Dormant, United Kingdom
Quintessence Editions Limited ^^^^^	7 February 2002	United Kingdom, limited liability company	Ordinary	GBP1	50.07% (2021: 41.2%)	Dormant, United Kingdom
QED Publishing Limited ^^^^^	12 November 1974	United Kingdom, limited liability company	Ordinary	GBP400	50.07% (2021: 41.2%)	Dormant, United Kingdom
Quintet Publishing Limited ^^^^^	14 May 1979	United Kingdom, limited liability company	Ordinary	GBP100	50.07% (2021: 41.2%)	Dormant, United Kingdom
Small World Creations Limited ^^^^^	20 September 1997	United Kingdom, limited liability company	Ordinary	GBP1,536	50.07% (2021: 41.2%)	Dormant, United Kingdom
Design Eye Limited ^^^^^	18 March 1988	United Kingdom, limited liability company	Ordinary	GBP100	50.07% (2021: 41.2%)	Dormant, United Kingdom
Design Eye Publishing Limited ^^^^^	17 June 1992	United Kingdom, limited liability company	Ordinary	GBP2	50.07% (2021: 41.2%)	Dormant, United Kingdom
The Great American Trading Company Limited ^^^^^	24 February 1982	United Kingdom, limited liability company	Ordinary	GBP100	50.07% (2021: 41.2%)	Dormant, United Kingdom

NOTES TO THE FINANCIAL STATEMENTS

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Date of incorporation/ establishment	Place/Country of incorporation/establishment and kind of legal entity	Class of shares	Issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company^	Principal activities and place of operations
iqu-digital.com Limited ^^^^^	30 November 1978	United Kingdom, limited liability company	Ordinary	GBP100	50.07% (2021: 41.2%)	Dormant, United Kingdom
The Ivy Press Limited ^^^^^	9 July 1996	United Kingdom, limited liability company	Ordinary	GBP10.42	50.07% (2021: 41.2%)	Dormant, United Kingdom
Quarto (JS) LLP ^^^^^	6 November 1998	United Kingdom, Limited liability partnership	N/A	N/A	50.07% (2021: 41.2%)	Dormant, United Kingdom
Quarto Group Limited (formerly known as Quarto China Company Limited)	16 March 2021	Hong Kong, limited liability company	Ordinary	HK$1	50.07% (2021: 41.2%)	Dormant, Hong Kong
iqu-digital.com Limited ^^^^^	30 November 1978	United Kingdom, limited liability company	Ordinary	GBP100	50.07% (2021: 41.2%)	Dormant, United Kingdom

Deregistered on 11 May 2022.
Deregistered on 1 April 2022.
^ Except 1010 Group Limited, all subsidiaries are indirectly held by the Company.
^^ Left Field Printing Group Limited is listed on the Main Board of The Stock Exchange of Hong Kong Limited.
^^^ Subsidiaries of Left Field Printing Group Limited
^^^^ The Quarto Group, Inc. is listed on the London Stock Exchange.
^^^^^ Certain bank loans of the Group are secured by share charges over of the equity interests of these subsidiaries (Note 23).

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the particulars of the subsidiaries which materially affect the results or assets of the Group.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

38. NOTES SUPPORTING STATEMENT OF CASH FLOWS

During the year, the Group entered into new leases and recognised addition of right-of-use assets for leased properties and plant and equipment of HK$64,346,000 (2021: HK$7,897,000) and lease liabilities of HK$64,346,000 (2021: HK$7,897,000).

Reconciliation of liabilities arising from financial activities:

	Bank borrowings (Note 23)		Lease liabilities (Note 24)	
	2022	2021	2022	2021
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January	261,967	191,450	73,729	98,884
Changes from cash flows:				
New bank borrowings	345,000	240,000	–	–
Acquired from business combinations	105,174	–	40,029	–
Repayments of bank borrowings	(211,422)	(169,483)	–	–
Interest paid	(12,611)	(4,696)	–	–
Principle portion of the lease liabilities paid	–	–	(45,194)	(32,398)
Interest portion of the lease liabilities paid	–	–	(5,004)	(3,731)
Total changes from financing cash flows	226,141	65,821	(10,169)	(36,129)
Other changes:				
Additions of lease liabilities	–	–	64,346	7,897
Lease modifications	–	–	(16,876)	–
Elimination on consolidation of a subsidiary	(62,143)	–	–	–
Exchange difference	(89)	–	(2,555)	(654)
Interest expenses	12,611	4,696	5,004	3,731
At 31 December	438,487	261,967	113,479	73,729

39. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial instrument risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance by closely monitoring the individual exposure.

The Group does not have written risk management policies and guidelines. However, the directors meet periodically to analyse and formulate strategies to manage the Group's exposure to a variety of risks which resulted from its operating and investing activities. Generally, the Group employs conservative strategies regarding its risk management to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out as follows:

(a) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalent, pledged deposits and trade and other receivables and loans to an associate. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk arising from cash and cash equivalent and pledged deposit, the Group only transacts with reputable commercial banks which are all high-credit-quality financial institutions. There has been no recent history of default in relation to these financial institutions.

The directors consider the Group does not have a significant concentration of credit risk. The top 5 customers accounted for approximately 21% (2021: 30%) of total revenue during the year ended 31 December 2022. In this regard, the Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

The Group also continuously evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit terms are extended to customers based on the evaluation of individual customer's financial conditions. In addition, the Group reviews the recoverable amount of each individual trade debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group consistently throughout the years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

39. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

For other receivables, lease receivables and loan to an associate, management makes periodic collective assessments as well as individual assessment on the recoverability of these receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits, except one individual debtor was identified as irrecoverable. For the year ended 31 December 2021, there is extension of repayment date of loan to an associate while other terms of the loan remained unchanged. The amortised cost before and after the modification approximates the carrying amount of the loan to associate. For the year ended 31 December 2021, the Group entered a new loan to an associate amounted HK$77,300,000. The details of loans to an associate are set out in Note 18.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables is estimated using a provision matrix with reference to past default experience of the debtor, current market condition in relation to each debtor's exposure. The ECL also incorporated forward looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables.

As at 31 December 2022 and 2021, the Group recognised lifetime ECL for its trade receivables based on individually significant customer or the ageing of customers collectively that are not individually significant as follows:

	Weighted average lifetime ECL (%)	Gross carrying amount (HK$'000)	Loss allowance (HK$'000)
As at 31 December 2022			
Current (not past due)	0.97	472,786	(4,597)
1-30 days past due	3.46	79,295	(2,746)
31-90 days past due	6.34	27,100	(1,717)
More than 90 days past due	39.21	13,573	(5,322)
Individual assessment	100	16,038	(16,038)
		608,792	(30,420)
As at 31 December 2021			
Current (not past due)	0.42	414,609	(1,735)
1-30 days past due	1.13	65,323	(740)
31-90 days past due	2.18	16,495	(359)
More than 90 days past due	9.16	795	(73)
Individual assessment	100	12,432	(12,432)
		509,655	(15,339)

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) Currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Most of the sales transactions of the Group are denominated in US$, AUD, GBP and Euros ("EUR") and there are expenses and capital expenditures denominated in US$, RMB and HK$. Certain trade receivables and trade payables of the Group are denominated in foreign currencies, mainly US$, AUD, GBP, RMB and EUR.

To mitigate the impact of exchange rate fluctuations, the Group continuously assesses and monitors the exposure to foreign currency risk. During the year, management of the Group had used foreign currency forward contracts to hedge the exposure to foreign exchange risk when the need arises.

Foreign currencies denominated financial assets and liabilities are as follows:

2022

	US$'000	RMB'000	AUD'000	GBP'000	EUR'000
Trade and other receivables	19,499	63	2,889	10,349	895
Cash and bank balances	60,010	8,216	4,553	3,443	990
Trade and other payables	(2,633)	(219)	(116)	(7,792)	(783)
	76,876	8,060	7,326	6,000	1,102
Notional amounts of forward foreign exchange contracts	(1,000)	6,967	–	–	–
	75,876	15,027	7,326	6,000	1,102

2021

	US$'000	RMB'000	AUD'000	GBP'000	EUR'000
Trade and other receivables	47,450	76	2,549	62	62
Cash and bank balances	16,500	469	2,490	1,591	1,445
Trade and other payables	(3,812)	(229)	(141)	(1)	(19)
	60,138	316	4,898	1,652	1,488
Notional amounts of forward foreign exchange contracts	(1,000)	6,409	–	–	–
	59,138	6,725	4,898	1,652	1,488

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) Currency risk (Continued)

The following table illustrates the sensitivity of the net results for the year and retained earnings in regards to the Group's financial assets and liabilities at the reporting date and the reasonably possible changes in the foreign exchange rates in the next 12 months to which the Group has significant exposure at the reporting date, based on the assumption that other variables are held constant. Changes in foreign exchange rates have no impact on the Group's other components of equity.

	2022		2021	
	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained earnings	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained earnings
		HK$'000		HK$'000
RMB	8.9%	1,498	2.5%	207
	(8.9%)	(1,498)	(2.5%)	(207)
AUD	5.2%	2,008	5.3%	1,443
	(5.2%)	(2,008)	(5.3%)	(1,443)
GBP	9.9%	5,578	0.3%	52
	(9.9%)	(5,578)	(0.3%)	(52)
EUR	4.7%	430	7.3%	946
	(4.7%)	(430)	(7.3%)	(946)

As HK$ is pegged to US$, management of the Company does not expect that the change in US$/HK$ will have significant impact on the consolidated financial statements.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

(c) Interest rate risk

The Group has no financial assets and liabilities of material amounts with floating interest rates except for deposits held in banks and bank borrowings. Cash at bank earns interest at floating rates based on the daily bank deposits rates during the year. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense. Terms of repayment of bank borrowings are set out in Notes 23.

During the year, management did not consider it necessary to use interest rate swaps to hedge their exposure to interest rate risk as the interest rate risk exposure is not significant.

39. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements, its compliance with lending covenants and its relationships with its bankers 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 long term. The Group has net current assets of HK$869,296,000 (2021: HK$595,051,000) and net assets of HK$1,654,961,000 (2021: HK$1,347,539,000) as at 31 December 2022. In the opinion of the directors, the Group's exposure to liquidity risk is limited.

The following table details the remaining contractual maturities at each of the reporting dates of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on current rates at the reporting date) and the earliest date the Group may be required to pay.

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

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 5 years	Over 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2022					
Non-derivative financial liabilities					
Trade and other payables	478,955	478,955	478,955	–	–
Bank borrowings	438,487	464,996	454,671	10,325	–
Lease liabilities	113,479	124,548	40,820	75,131	8,597
	1,030,921	1,068,499	974,446	85,456	8,597
As at 31 December 2021					
Non-derivative financial liabilities					
Trade and other payables	288,934	288,934	288,934	–	–
Bank borrowings	261,967	269,096	269,096	–	–
Lease liabilities	73,729	78,648	32,335	46,313	–
	624,630	636,678	590,365	46,313	–

39. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk (Continued)

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

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000
Term loans subject to repayment on demand clause based on scheduled repayments:				
31 December 2022	394,412	419,131	207,481	211,650
31 December 2021	261,967	269,096	112,860	156,236

(e) Fair values

The directors consider the fair values of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments. The fair values of non-current financial assets and liabilities were not disclosed because these are not materially different from their carrying amounts.

40. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities:

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Non-current assets				
Financial assets measured at amortised cost:				
– Lease receivables	533	533	1,698	1,698
– Loan to an associate	–	–	129,490	129,490
Current assets				
Financial assets at fair value through profit or loss				
– Held for trading	11	11	37	37
Financial assets measured at amortised cost:				
– Trade and other receivables and deposits	661,868	661,868	529,387	529,387
– Lease receivables	1,165	1,165	1,142	1,142
– Pledged deposit	147	147	156	156
– Cash and bank balances	770,217	770,217	431,920	431,920
	1,433,941	1,433,941	1,093,830	1,093,830
Financial liabilities				
Current liabilities				
Financial liabilities measured at amortised cost:				
– Trade and other payables	478,955	478,955	288,934	288,934
– Bank borrowings	428,352	428,352	261,697	261,697
– Lease liabilities	36,390	36,390	29,908	29,908
Non-current liabilities				
Financial liabilities measured at amortised cost:				
– Other payables	–	–	–	–
– Bank borrowings	10,135	10,135	–	–
– Lease liabilities	77,089	77,089	43,821	43,821
	1,030,921	1,030,921	624,630	624,360

40. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (Continued)

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include loan to an associate, lease receivables, cash and bank balances, pledged deposits and trade and other receivables and deposits, trade and other payables, financial liabilities arising from put options, bank borrowings and lease liabilities.

Due to their short term nature, the carrying value of cash and bank balances, trade and other receivables and deposits, loan to an associate, lease receivables, trade and other payables, bank borrowings and lease liabilities approximates fair value.

(b) Financial instruments measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

– Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

NOTES TO THE FINANCIAL STATEMENTS

40. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (Continued)

(b) Financial instruments measured at fair value (Continued)

	2022			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
		(Note i)	(Note ii)	
Financial assets at fair value through profit or loss				
Unlisted convertible note	–	–	–	–
Forward foreign exchange contracts	–	11	–	11
Net fair values	–	11	–	11

	2021			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
		(Note i)	(Note ii)	
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	–	37	–	37
Net fair values	–	37	–	37

(i) The fair value of forward exchange contracts is determined based on the applicable forward exchange rates prevailing at the reporting date.

(ii) The fair values of the unlisted convertible note in Level 3 is denominated in AUD. Fair value of unlisted convertible note included in level 3 has been determined based on fair values of underlying investments and contractual cash flows determined by the directors of the Company with reference to the valuation performed by independent professional valuer.

The following table gives information about how the fair value of the financial assets are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

40. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (Continued)

(b) Financial instruments measured at fair value (Continued)

Financial items	Fair value at 2022	Fair value at 2021	Fair value hierarchy	Basis of fair value measurement/ valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	HK$'000	HK$'000				
Forward foreign exchange contracts	11	37	Level 2	N/A	Risk free rate	The higher the Risk free rate, the higher the fair value and vice versa
Unlisted convertible note	–	–	Level 3	Binomial Option Pricing Model	Volatility	The higher the positive volatility, the higher the fair value and vice versa

There were no transfers between levels during the year.

The movement of the convertible note during the year are as follows:

	2022	2021
	HK$'000	HK$'000
Balance as at 1 January	–	–
Addition	13,875	–
Disposal	(9,900)	–
Fair value changes	(2,634)	–
Exchange differences	(1,341)	–
Balance as at 31 December	–	–

NOTES TO THE FINANCIAL STATEMENTS

41. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth; and
- To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group has not adopted any formal dividend policy.

Management regards total equity as capital, for capital management purpose. The amount of capital as at 31 December 2022 amounted to approximately HK$1,654,961,000 (2021: HK$1,347,539,000), which management considers as satisfactory having considered the projected capital expenditures and the projected strategic investment opportunities.

The Group's overall strategy in capital management remains unchanged during the year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated upon the adoption of the new or amended HKFRSs as appropriate, is set out below:

FINANCIAL RESULTS

	Financial year ended 31 December				
	2018	2019	2020	2021	2022
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue and turnover	1,665,369	1,606,969	1,373,471	1,737,616	2,496,089
Profit before income tax	214,216	192,540	149,407	177,130	347,518
Income tax expense	(29,972)	(38,739)	(33,102)	(35,105)	(61,709)
Profit for the year	184,244	153,801	116,305	142,025	285,809
Attributable to:					
Owners of the Company	169,395	138,801	104,323	132,491	219,911
Non-controlling interests	14,849	15,000	11,982	9,534	65,898
Profit for the year	184,244	153,801	116,305	142,025	285,809

	As at 31 December				
	2018	2019	2020	2021	2022
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	1,739,446	1,758,485	1,866,113	2,028,000	2,797,816
Total liabilities	(577,378)	(581,555)	(589,397)	(680,461)	(1,142,855)
Total equity	1,162,068	1,176,930	1,276,716	1,347,539	1,654,961

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Lau Chuk Kin
Ms. Lam Mei Lan
Mr. Chu Chun Wan

Non-Executive Directors
Mr. Li Hoi, David
Mr. Guo Junsheng

Independent Non-Executive Directors
Mr. Yeung Ka Sing *(Chairman)*
Prof. Lee Hau Leung
Dr. Ng Lai Man, Carmen
Mr. Ho Tai Wai, David

COMPANY SECRETARY
Ms. Tan Lai Ming *FCPA, FCCA*

COMPLIANCE OFFICER
Mr. Lau Chuk Kin

AUTHORISED REPRESENTATIVES
Ms. Lam Mei Lan
Ms. Tan Lai Ming

BERMUDA RESIDENT REPRESENTATIVE
Conyers Corporate Services (Bermuda) Limited

AUDIT COMMITTEE
Dr. Ng Lai Man, Carmen *(Chairman)*
Mr. Yeung Ka Sing
Prof. Lee Hau Leung
Mr. Ho Tai Wai, David

NOMINATION COMMITTEE
Mr. Yeung Ka Sing *(Chairman)*
Mr. Lau Chuk Kin
Prof. Lee Hau Leung
Dr. Ng Lai Man, Carmen
Mr. Ho Tai Wai, David

REMUNERATION COMMITTEE
Mr. Yeung Ka Sing *(Chairman)*
Mr. Lau Chuk Kin
Prof. Lee Hau Leung
Dr. Ng Lai Man, Carmen
Mr. Ho Tai Wai, David

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Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

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Hamilton HM12
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Wan Chai
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