LION ROCK GROUP LIMITED
獅子山集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock code: 1127)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

AUDITED RESULTS

The board of directors (the "Board") of Lion Rock Group Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	3	1,606,969	1,665,369
Direct operating costs		(1,157,282)	(1,192,284)
Gross profit		449,687	473,085
Other income	5	48,841	87,267
Selling and distribution costs		(194,991)	(211,534)
Administrative expenses		(98,995)	(108,169)
Other expenses		(175)	(33,711)
Share of profit of associate		5,064	11,266
Finance costs	6	(16,891)	(3,988)
Profit before income tax	7	192,540	214,216
Income tax expense	8	(38,739)	(29,972)
Profit for the year		153,801	184,244

* *For identification purpose only*

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2019 (Continued)

	Notes	2019 HK$'000	2018 HK$'000
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Loss in fair value of equity instruments at fair value through other comprehensive income		-	(12,551)
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		(11,102)	(29,411)
Exchange reserve released upon deregistration/disposal of a subsidiary		-	(28,311)
Share of other comprehensive income of associate		(4,142)	(3,806)
Other comprehensive income for the year, net of tax		(15,244)	(74,079)
Total comprehensive income for the year		138,557	110,165
Profit for the year attributable to:			
Owners of the Company		138,801	169,395
Non-controlling interests		15,000	14,849
		153,801	184,244
Total comprehensive income attributable to:			
Owners of the Company		126,714	105,733
Non-controlling interests		11,843	4,432
		138,557	110,165
Earnings per share for profit attributable to owners of the Company during the year	10		
Basic		HK18.03 cents	HK22.00 cents
Diluted		N/A	N/A

Consolidated Statement of Financial Position
As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	198,591	143,369
Deposits for acquisition of property, plant and equipment		1,034	39,645
Right-of-use assets	12	85,976	-
Intangible assets	13	175,181	180,952
Interest in associate	14	67,215	56,168
Loan to associate	14	-	53,600
Lease receivables		1,220	-
Other non-current assets		-	2,804
Deferred tax assets		28,337	34,332
		557,554	510,870
Current assets			
Inventories	15	174,591	179,818
Trade and other receivables and deposits	16	468,034	533,956
Financial assets at fair value through profit or loss	17	-	673
Loan to associate	14	53,390	-
Lease receivable		3,559	-
Pledged deposit		5,650	5,808
Cash and bank balances		495,707	508,321
		1,200,931	1,228,576
Current liabilities			
Trade and other payables	18	197,621	234,498
Bank borrowings	19	214,775	286,040
Finance lease liabilities		-	605
Lease liabilities	20	29,064	-
Provisions		22,286	20,917
Financial liabilities at fair value through profit or loss	17	47	-
Provision for taxation		23,463	9,265
		487,256	551,325
Net current assets		713,675	677,251
Total assets less current liabilities		1,271,229	1,188,121
Non-current liabilities			
Financial liabilities arising from put option		14,977	14,588
Provisions		1,831	3,759
Finance lease liabilities		-	1,935
Lease liabilities	20	68,188	-
Deferred tax liabilities		9,303	5,771
		94,299	26,053
Net assets		1,176,930	1,162,068
EQUITY			
Share capital		7,700	7,700
Reserves		1,073,788	1,036,738
Equity attributable to owners of the Company		1,081,488	1,044,438
Non-controlling interests		95,442	117,630
Total equity		1,176,930	1,162,068

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

	Attributable to owners of the Company														Non-controlling interests	Total equity
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Merger reserve HK$'000	Contributed surplus HK$'000	FVOCI reserve HK$'000	Put option reserve HK$'000	Statutory reserve HK$'000	Other reserve HK$'000	Employee compensation reserve HK$'000	Share award scheme reserve HK$'000	Proposed final dividend HK$'000	Retained earnings HK$'000	Total HK$'000	HK$'000	HK$'000
Balance as at 1 January 2018	7,700	173,078	(17,995)	(136,875)	310,125	5,100	(13,906)	737	(18,645)	407	(5)	50,050	627,018	986,789	62,033	1,048,822
2017 final dividend paid (Note 9)	-	-	-	-	-	-	-	-	-	-	-	(50,050)	-	(50,050)	-	(50,050)
2018 interim dividend paid (Note 9)	-	-	-	-	-	-	-	-	-	-	-	-	(23,100)	(23,100)	-	(23,100)
Deemed disposal of interests in a subsidiary	-	-	-	-	-	-	-	-	28,062	-	-	-	-	28,062	66,196	94,258
Deemed acquisition of interests in a subsidiary	-	-	-	-	-	-	-	-	(2,996)	-	-	-	-	(2,996)	10,896	7,900
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(25,927)	(25,927)
Release of FVOCI reserve as a result of obtaining significant influence over the investee	-	-	-	-	-	7,451	-	-	-	-	-	-	(7,451)	-	-	-
Call option cancelled	-	-	-	-	-	-	-	-	-	(407)	-	-	407	-	-	-
Transactions with owners	-	-	-	-	-	7,451	-	-	25,066	(407)	-	(50,050)	(30,144)	(48,084)	51,165	3,081
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	169,395	169,395	14,849	184,244
Other comprehensive income																
Currency translation	-	-	(25,900)	-	-	-	-	-	-	-	-	-	-	(25,900)	(3,511)	(29,411)
Release upon de-registration of a subsidiary	-	-	(21,405)	-	-	-	-	-	-	-	-	-	-	(21,405)	(6,906)	(28,311)
Changes in fair value of equity instruments at FVOCI	-	-	-	-	-	(12,551)	-	-	-	-	-	-	-	(12,551)	-	(12,551)
Share of other comprehensive income of associate	-	-	(3,242)	-	-	-	-	-	-	-	-	-	(564)	(3,806)	-	(3,806)
Total comprehensive income for the year	-	-	(50,547)	-	-	(12,551)	-	-	-	-	-	-	168,831	105,733	4,432	110,165
2018 proposed final dividend (Note 9)	-	-	-	-	-	-	-	-	-	-	-	53,900	(53,900)	-	-	-
Balance at 31 December 2018	7,700	173,078	(68,542)	(136,875)	310,125	-	(13,906)	737	6,421	-	(5)	53,900	711,805	1,044,438	117,630	1,162,068

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019 (Continued)

	Attributable to owners of the Company												Non-controlling interests	Total equity
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Merger reserve HK$'000	Contributed surplus HK$'000	Put option reserve HK$'000	Statutory reserve HK$'000	Other reserve HK$'000	Share award scheme reserve HK$'000	Proposed final dividend HK$'000	Retained earnings HK$'000	Total HK$'000	HK$'000	HK$'000
Balance as at 1 January 2019														
- As originally presented	7,700	173,078	(68,542)	(136,875)	310,125	(13,906)	737	6,421	(5)	53,900	711,805	1,044,438	117,630	1,162,068
- Initial application of HKFRS 16 (note 2.1(i))	-	-	-	-	-	-	-	-	-	-	(6,665)	(6,665)	(339)	(7,004)
	7,700	173,078	(68,542)	(136,875)	310,125	(13,906)	737	6,421	(5)	53,900	705,140	1,037,773	117,291	1,155,064
2018 final dividend paid (Note 9)	-	-	-	-	-	-	-	-	-	(53,900)	-	(53,900)	-	(53,900)
2019 interim dividend paid (Note 9)	-	-	-	-	-	-	-	-	-	-	(23,100)	(23,100)	-	(23,100)
Deemed acquisition of interests in a subsidiary (Note 21)	-	-	-	-	-	-	-	(5,999)	-	-	-	(5,999)	(16,201)	(22,200)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(17,491)	(17,491)
Transactions with owners	-	-	-	-	-	-	-	(5,999)	-	(53,900)	(23,100)	(82,999)	(33,692)	(116,691)
Profit for the year	-	-	-	-	-	-	-	-	-	-	138,801	138,801	15,000	153,801
Other comprehensive income														
Currency translation	-	-	(7,945)	-	-	-	-	-	-	-	-	(7,945)	(3,157)	(11,102)
Share of other comprehensive income of associate	-	-	(4,108)	-	-	-	-	-	-	-	(34)	(4,142)	-	(4,142)
Total comprehensive income for the year	-	-	(12,053)	-	-	-	-	-	-	-	138,767	126,714	11,843	138,557
2019 proposed final dividend (Note 9)	-	-	-	-	-	-	-	-	-	30,800	(30,800)	-	-	-
Balance at 31 December 2019	7,700	173,078	(80,595)	(136,875)	310,125	(13,906)	737	422	(5)	30,800	790,007	1,081,488	95,442	1,176,930

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 26/F, 625 King's Road, North Point, 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 and its subsidiaries are collectively referred to as the "Group" hereafter.

The financial statements 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.

2. Adoption of Hong Kong Financial Reporting Standards

2.1 Adoption of new or amended HKFRSs

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

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features and Negative Compensation
- Amendments to HKAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015-2017 Cycle

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

2. Adoption of Hong Kong Financial Reporting Standards (Continued)

2.1 Adoption of new or amended HKFRSs (Continued)

(i) Impact of the adoption of HKFRS 16 - Continued

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	HK$'000
Statement of financial position as at 1 January 2019	
Assets:	
Property, plant and equipment	(3,001)
Right-of-use assets	81,841
Other non-current assets	(2,804)
Other receivables and deposits	(863)
Lease receivables	8,197
Deferred tax assets	1,162
	84,532
Liabilities and equity:	
Other payables	(1,312)
Finance lease liabilities	(2,540)
Lease liabilities	95,388
Retained earnings	(6,665)
Non-controlling interests	(339)
	84,532

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 January 2019:

	HK$'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment at 31 December 2018	69,510
Less: short term leases for which lease terms end within 31 December 2019	(1,824)
Add: leases included in extension option which the Group considers reasonably certain to exercise	32,791
Less: future interest expenses	(7,629)
Add: finance lease liabilities at 31 December 2018	2,540
Total lease liabilities at 1 January 2019	95,388

2. Adoption of Hong Kong Financial Reporting Standards (Continued)

2.1 Adoption of new or amended HKFRSs (Continued)

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 is 4.91%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices 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.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

(iv) Accounting as a lessor

The Group has sub-leased out certain of 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, not with reference to the underlying assets.

A leased property which is recognised as a right-of-use asset upon application of 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.

3. Adoption of Hong Kong Financial Reporting Standards (Continued)

2.1 Adoption of new or amended HKFRSs (Continued)

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified as operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

The Group has also leased certain property, plant and equipment which previously were classified as finance leases under HKAS 17. As the Group has elected to adopt the cumulative effect method over the adoption of HKFRS 16, for those finance leases under HKAS 17, the right-of-use assets and the corresponding lease liabilities at 1 January 2019 were the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets and the lease liabilities applying HKFRS 16 from 1 January 2019.

2. Adoption of Hong Kong Financial Reporting Standards (Continued)

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

At the date of this report, the following new or amended HKFRSs have been published but are not yet effective, and have not been early adopted by the Group.

Amendments to HKFRS 3	Definition of a business[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred / removed. Early application of the amendments of the amendments continue to be permitted.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors are currently assessing the impact of the new or amended HKFRSs upon initial application. So far, the directors have preliminarily concluded that the initial application of these HKFRSs will not result in material financial impact on the consolidated financial statements. Information on new or amended HKFRSs that are expected to have an impact on the Group's accounting policies is provided below.

<u>Amendments to HKFRS 3 – Definition of a business</u>

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

2. Adoption of Hong Kong Financial Reporting Standards (Continued)

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

Amendments to HKAS 1 and HKAS 8 – Definition of material

The amendments clarify the definition and explanation of “material”, aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 - Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

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

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors’ interests in the joint venture or associate.

3. Revenue

Revenue represents the printing income earned by the Group during the year.

4. Segment information

The executive directors have identified that the Group has only one reportable segment, which is the provision of printing services.

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, interest in associate and loan to associate)	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
PRC	-	-	161,306	117,935
United States of America ("USA")	599,114	610,222	319	19
Australia	560,435	531,237	162,684	149,483
United Kingdom	219,638	261,377	4	6
Spain	59,736	63,191	-	-
Mexico	25,436	26,034	-	-
Germany	27,056	25,849	-	-
New Zealand	15,086	20,347	-	-
Singapore	13,351	17,040	42,634	8,794
Peru	11,570	24,452	-	-
Ireland	10,664	6,220	-	-
Canada	10,387	10,008	-	-
Chile	9,904	14,770	-	-
Guatemala	8,374	5,281	-	-
Bolivia	6,503	10,722	-	-
Brazil	3,168	7,262	-	-
Argentina	1,214	11,890	-	-
Hong Kong (domicile)	602	568	95,055	90,533
Others	24,731	18,899	-	-
	1,606,969	1,665,369	462,002	366,770

4. Segment information (Continued)

Sales by geographical markets are analysed based on the location of customers and the geographical location of non-current assets is based on (1) the physical location of the assets (for property, plant and equipment) and (2) location of operations (for intangible assets).

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2019 HK$'000	2018 HK$'000
Reportable segment profit	204,367	206,938
Share of profit of associate	5,064	11,266
Finance costs	(16,891)	(3,988)
Profit before income tax	192,540	214,216
Reportable segment liabilities	357,477	285,567
Deferred tax liabilities	9,303	5,771
Borrowings	214,775	286,040
Group liabilities	581,555	577,378

5. Other income

	2019 HK$'000	2018 HK$'000
Sales of scrapped paper and by-products	18,803	22,423
Gain on financial assets/liabilities at fair value through profit or loss	2,383	612
Bad debts recovered	-	5,678
Impairment of trade receivables recovered	470	259
Interest income	8,430	4,242
Interest income on lease receivables	270	-
Rental income	-	3,231
Gain on deregistration of a subsidiary	-	28,311
Gain on disposals of property, plant and equipment	5,246	5,885
Government grants	757	373
Net foreign exchange gain	8,537	-
Write back of accruals and other payables	-	5,792
Reversal/write back of provisions for leasehold dilapidations	-	7,294
Sundry income	3,945	3,167
	48,841	87,267

6. Finance costs

	2019 HK$'000	2018 HK$'000
Interest charges on bank borrowings, which contain a repayment on demand clause	11,609	3,488
Interest on lease liabilities	4,893	-
Finance lease charges	-	110
Imputed interest on financial liabilities arising from put option	389	390
	16,891	3,988

7. Profit before income tax

	2019 HK$'000	2018 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration (Note (i) below)	2,834	2,673
Impairment of trade receivables	75	5,064
Expected credit loss on loan to associate	-	1,000
Bad debts written off	100	107
Cost of inventories recognised as expense	1,157,282	1,192,284
Write-back of inventories, net	(2,748)	(1,108)
Depreciation of property, plant and equipment (Note 11 and Note (ii) below)		
- Owned	33,092	32,511
- Held under finance leases	-	468
Amortisation of right-of-use assets (Note (ii))	25,464	-
Amortisation of other non-current assets	-	1,960
Listing expenses of a subsidiary (included in other expenses)	-	27,540
Amortisation of intangible assets	3,233	3,233
Gain on disposals of property, plant and equipment	(5,246)	(5,885)
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	-	38,195
Short-term leases expenses	6,365	-
Net on foreign exchange (gain)/loss	(8,537)	1,273
Gain on financial assets/liabilities at fair value through profit or loss	(2,383)	(612)
Employee benefit expense (Note (iii))	308,191	311,831

7. Profit before income tax (Continued)

Notes:

(i) Auditor's remuneration for other non-audit services of HK$352,000 was recognised during the year (2018: HK$1,641,000).

(ii) Depreciation charges for property, plant and equipment of HK$29,536,000 (2018: HK$28,538,000) and HK$3,556,000 (2018: HK$4,441,000) have been included in direct operating costs and administrative expenses respectively.

Amortisation of right-of-use assets of HK$18,683,000 (2018: Nil) and HK$6,781,000 (2018: Nil) have been included in direct operating costs and administrative expenses respectively.

(iii) Employee benefit expense of HK$196,835,000 (2018: HK$198,543,000), HK$65,395,000 (2018: HK$67,595,000) and HK$45,961,000 (2018: HK$45,693,000) have been included in direct operating costs, selling and distribution costs and administrative expenses respectively.

8. Income tax expense

For years ended 31 December 2019 and 2018, under the two-tiered profits tax rate regime, the Hong Kong Profits Tax of the qualifying group entity 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. The profits of group entities not qualified for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

Taxation on 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.

	2019 **HK$'000**	**2018** **HK$'000**
Current tax - Hong Kong profits tax		
Tax for the year	17,302	20,842
Under/(Over) provision in prior years	541	(209)
	17,843	20,633
Current tax - overseas		
Tax for the year	11,685	13,637
Over provision in prior years	(754)	(1,734)
	10,931	11,903
Deferred tax		
Charged/(Credited) during the year	9,965	(2,564)
	38,739	29,972

9. Dividends

	2019 HK$'000	2018 HK$'000
Final dividend paid in respect of prior year of HK$0.07 (2018: HK$0.065) per share	53,900	50,050
Interim dividend paid in respect of current year of HK$0.03 (2018: HK$0.03) per share	23,100	23,100
	77,000	73,150

At a meeting held on 13 March 2020, the directors recommended a final dividend of HK$0.04 per ordinary share. The directors also propose to distribute Left Field Printing Group Limited shares in specie to shareholders on the basis of 1 share in Left Field Printing Group Limited for every 16 shares of the Company held by a shareholder ("Distribution in Specie"). The Final Dividend and Distribution in Specie is payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 15 May 2020.

Those proposed dividends 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 2019 except for the proposed Distribution in Specie as the fair values of those shares at the date of distribution are not yet known.

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

10. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK$138,801,000 (2018: HK$169,395,000) and on the weighted average number of ordinary shares in issue less shares held under share award scheme that have not been vested unconditionally by the employees during the year of 769,997,090 (2018: 769,997,090).

No diluted earnings per share are presented as the Group has no dilutive events on ordinary shares during the year (2018: Nil).

11. Property, plant and equipment

	Freehold land and buildings HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Computer equipment and systems HK$'000	Motor vehicles HK$'000	Machinery HK$'000	Total HK$'000
At 1 January 2018								
Cost	12,035	5,062	8,334	61,558	13,302	2,950	303,939	407,180
Accumulated depreciation	(4,106)	(4,811)	(5,225)	(50,042)	(12,077)	(1,977)	(216,702)	(294,940)
Net book amount	7,929	251	3,109	11,516	1,225	973	87,237	112,240
Year ended 31 December 2018								
Opening net book amount	7,929	251	3,109	11,516	1,225	973	87,237	112,240
Exchange differences	(612)	(4)	(55)	(435)	(21)	(17)	(4,486)	(5,630)
Additions	-	65	599	2,329	471	1,150	66,175	70,789
Disposals	-	-	-	(710)	-	-	(341)	(1,051)
Depreciation	(1,016)	(171)	(733)	(3,959)	(602)	(603)	(25,895)	(32,979)
Closing net book amount	6,301	141	2,920	8,741	1,073	1,503	122,690	143,369
At 31 December 2018 and 1 January 2019								
Cost	11,031	5,110	8,701	61,574	13,700	4,535	328,722	433,373
Accumulated depreciation	(4,730)	(4,969)	(5,781)	(52,833)	(12,627)	(3,032)	(206,032)	(290,004)
Net book amount	6,301	141	2,920	8,741	1,073	1,503	122,690	143,369
Year ended 31 December 2019								
Opening net book amount	6,301	141	2,920	8,741	1,073	1,503	122,690	143,369
Adjustment upon application of HKFRS 16	-	-	-	(626)	-	-	(2,375)	(3,001)
Exchange differences	(174)	-	(11)	(242)	(12)	4	(3,014)	(3,449)
Additions	-	8	944	4,918	646	1,743	86,847	95,106
Disposals	-	(5)	-	-	-	(28)	(309)	(342)
Depreciation	(931)	(48)	(720)	(3,230)	(675)	(662)	(26,826)	(33,092)
Closing net book amount	5,196	96	3,133	9,561	1,032	2,560	177,013	198,591
At 31 December 2019								
Cost	10,730	4,980	9,323	64,807	14,191	5,346	401,187	510,564
Accumulated depreciation	(5,534)	(4,884)	(6,190)	(55,246)	(13,159)	(2,786)	(224,174)	(311,973)
Net book amount	5,196	96	3,133	9,561	1,032	2,560	177,013	198,591

As at 31 December 2019 and 2018, the Group's freehold land and buildings are situated in Australia.

12. Right-of-use assets

HKFRS 16 was adopted on 1 January 2019 without restatement of comparative figures.

	Leased properties HK$'000	Plant and equipment HK$'000	Total HK$'000
At 1 January 2019			
Carrying amount	78,192	3,649	81,841
At 31 December 2019			
Carrying amount	83,255	2,721	85,976
For the year ended 31 December 2019			
Amortisation charge	24,135	1,329	25,464

13. Intangible assets

	Goodwill HK$'000	Customer relationship HK$'000	Total HK$'000
At 1 January 2018			
Cost	186,662	9,700	196,362
Amortisation and impairment	(1,294)	(2,425)	(3,719)
Net carrying amount	185,368	7,275	192,643
Year ended 31 December 2018			
Opening net carrying amount	185,368	7,275	192,643
Exchange differences	(8,458)	-	(8,458)
Amortisation during the year	-	(3,233)	(3,233)
Closing net carrying amount	176,910	4,042	180,952
At 31 December 2018			
Cost	178,204	9,700	187,904
Amortisation and impairment	(1,294)	(5,658)	(6,952)
Net carrying amount	176,910	4,042	180,952
Year ended 31 December 2019			
Opening net carrying amount	176,910	4,042	180,952
Exchange differences	(2,538)	-	(2,538)
Amortisation during the year	-	(3,233)	(3,233)
Closing net carrying amount	174,372	809	175,181
At 31 December 2019			
Cost	175,666	9,700	185,366
Amortisation and impairment	(1,294)	(8,891)	(10,185)
Net carrying amount	174,372	809	175,181

14. Interest in associate/loan to associate

	2019 HK$'000	2018 HK$'000
Interest in associate (non-current assets):		
Share of net assets other than goodwill	7,310	3,397
Goodwill	59,905	52,771
	67,215	56,168
Loan to associate:		
Advance to associate	54,390	54,600
Expected credit loss recognised during the year	(1,000)	(1,000)
	53,390	53,600
Represented by:		
Non-current assets	-	53,600
Current assets	53,390	-
	53,390	53,600

During the year, the Group further acquired 5.28% equity interests in The Quarto Group, Inc. (the "Associate") with a consideration of HK$6,881,000. As at 31 December 2019, the Group held 25.41% (2018: 20.13%) equity interests in the Associate and the quoted market price for this investment is HK$39,810,000 (2018: HK$30,146,000).

In November 2018, the Group subscribed for the loan note from the Associate 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 2019, the loan note was unsecured and repayable on 31 August 2020 and therefore classified as a current asset (2018: a non-current asset).

15. Inventories

	2019 HK$'000	2018 HK$'000
Raw materials	143,733	143,892
Work-in-progress	35,665	44,296
Finished goods	4,982	4,142
Less: Provision for inventories obsolescence	(9,789)	(12,512)
	174,591	179,818

16. Trade and other receivables and deposits

Ageing analysis of trade receivables as at 31 December 2019, based on the invoice date, is as follows:

	2019 HK$'000	2018 HK$'000
0 – 30 days	106,468	136,165
31 – 60 days	84,465	96,002
61 – 90 days	65,132	73,762
91 – 120 days	55,908	63,344
121 – 150 days	38,906	28,678
Over 150 days	77,411	57,345
Total trade receivables	428,290	455,296
Less: Provision for impairment of trade receivables	(6,981)	(7,638)
Trade receivables – net	421,309	447,658
Other receivables and deposits	46,725	86,298
	468,034	533,956

In general, the Group allows a credit period from 30 to 180 days (2018: 30 to 150 days) to its customers.

As at 31 December 2019, trade receivables of HK$106,388,000 (2018: HK$47,446,000) were due from the associate and its subsidiaries.

17. Financial assets/(liabilities) at fair value through profit or loss

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.

18. Trade and other payables

As at 31 December 2019, ageing analysis of trade payables based on invoice date is as follows:

	2019 HK$'000	2018 HK$'000
0 – 30 days	54,006	64,252
31 – 60 days	21,083	27,550
61 – 90 days	12,782	18,789
91 – 120 days	602	1,172
Over 120 days	215	443
	88,688	112,206
Other payables and accruals	108,933	122,292
	197,621	234,498

Credit terms granted by the suppliers are generally 0 - 90 days (2018: 0 – 90 days).

19. Bank borrowings

	2019 HK$'000	2018 HK$'000
Current portion		
- Bank loans due for repayment within one year	106,850	71,265
- Bank loans due for repayment after one year which contain a repayment on demand clause	107,925	214,775
Total bank borrowings	214,775	286,040

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:

	2019 HK$'000	2018 HK$'000
Within one year	106,850	71,265
In the second year	90,200	66,850
In the third to fifth year	17,725	147,925
Wholly repayable within five years	214,775	286,040

20. Leases

	2019 HK$'000
Lease liabilities:	
Current	29,064
Non-current	68,188
	97,252

Future lease payments are due as follows:

	Minimum lease payments HK$'000	Interest HK$'000	Present value HK$'000
As at 31 December 2019			
Due within one year	33,058	3,994	29,064
Due in the second to fifth years	67,868	6,349	61,519
Due over fifth year	6,792	123	6,669
	107,718	10,466	97,252
As at 1 January 2019			
Due within one year	28,008	3,924	24,084
Due in the second to fifth years	72,470	6,810	65,660
Due over fifth year	6,230	585	5,645
	106,708	11,319	95,389
As at 31 December 2018 (Note)			
Due within one year	738	133	605
Due in the second to fifth years	2,117	182	1,935
	2,855	315	2,540

20. Leases (Continued)

Note: The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases.

21. Non-controlling interests

Acquisition of non-controlling interests of Left Field Printing Group Limited ("Left Field")

During the year, the Group acquired 5.92% additional interests of Left Field with the consideration of HK$22,200,000. As a result, the equity interests in Left Field held by the Group was increased from 62.05% to 67.97%. The difference between the proportionate share of the carrying amount of net assets and the consideration paid for the additional interests have been debited to other reserve.

The transactions had been accounted for as equity transactions with the non-controlling interests as follows:

	2019 **HK$'000**
Consideration paid for additional ownership interest	22,200
Net assets attributable to additional ownership interest	(16,201)
Decrease in equity attributable to owners of the Company (included in other reserve)	5,999

CHAIRMAN'S STATEMENT

We foresaw 5 years ago the decline of China's print manufacturing sector due to the tightening of the labour law, diminishing low-cost labour pool, and increasing content regulation in China. The ongoing China-US trade war and the recent coronavirus outbreak have fast-tracked the supply chain diversification away from China and our ability to adapt to this irreversible trend is of strategic importance for the Group.

The recent acquisition of Papercraft Sdn. Bhd., a Johor based printing plant in Malaysia, has underscored the long-term diversification strategy of the Group. Our manufacturing footprint in China, Singapore, Malaysia and Australia allows us to provide comprehensive service to our global customers, enabling them to launch book titles simultaneously in different parts of the world.

Our management continuously review the sustainability of our business model. We anticipate the book printing business will become more competitive as China's cost advantage is being eroded. The investment in The Quarto Group and participation in its management is in line with the Group's business diversification strategy.

The trading environment in 2020 is expected to be difficult. Even though the world's economic expansion has been the longest in modern day history, economists are forecasting that it is due for a correction and the coronavirus outbreak could push many countries into a recession. We are taking measures to review our operations and to eliminate unnecessary overhead expenses. With the Group's strong balance sheet and underlying strength, we are well positioned to seize the opportunity presented to us by the upcoming shake up of the book printing industry.

In closing, I would like to thank our employees for their dedication and contribution in transforming the Group into a leading global printing and publishing company in the world. I'd also like to thank our shareholders for supporting us in our transformation journey.

Yeung Ka Sing
Chairman
Hong Kong, 13 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2019, the Group recorded a year-on-year decline of 3.5% in sales turnover to HK$1,607.0 million. Group net profit after tax came in lower at HK$153.8 million, or 16.5% due to higher finance and taxation costs.

The US imposed tariff on books printed in China in September last year. Even though the tariff was subsequently reduced to 7.5%, it has kickstarted the trend for publishing houses to diversify their print production away from China. We expect the China-US trade war will be here to stay and the tariffs will not be scrapped in the foreseeable future. This will have a negative impact on our China based printing operations.

The recent coronavirus outbreak is causing supply chain disruptions and fulfilment delays in China. While the short-term impact of coronavirus is manageable due to the seasonality of the printing and publishing business, the outbreak has certainly accelerated the trend of decoupling from Chinese suppliers as businesses all over the world rethink their supply chain strategy.

Furthermore, the long-term trend of rising labour costs in China continues to erode China's cost advantage. All these considerations have rightly justified our purchase of COS, a Singapore based printer, as part of the overall acquisition of OPUS group five years ago. It is becoming a strategic business in our portfolio, as being the only China based printer with a significant overseas printing operation gives us a unique competitive advantage in the marketplace.

On 25 February 2020, the Group completed the purchase of Papercraft Sdn. Bhd. ("Papercraft"), a Johor based Malaysian printing plant. The combined COS and Papercraft operation enables the Group to be in a unique position among major book printers in China to have a significant print manufacturing presence in South East Asia.

A. PRINT MANUFACTURING

1010 Printing, international sales operations:
The completion of a major project delivering over 30 million print copies in the first half of the year contributed to a 9% increase in sales turnover. There was a slight dip in margin as pricing pressure continued. But we are encouraged by the overall result as business remained steady and profit after tax increased.

The facilities upgrade we undertook in the past two years has made our China plant one of the most efficient book printing operations in the region. The Yuanzhou plant will transform into a regional hub that provides supply chain orchestration expertise to our Left Field and COS operations.

Left Field Printing Group, Australia:
Left Field Printing provided a satisfactory result. Revenue declined by 11% due to the depreciation of Australian Dollars and a challenging external environment. Several initiatives were untaken to realize optimal production efficiency, with McPherson's Printing Pty. Ltd. delivered considerable cost savings.

COS, Singapore:
2019 is a year of transition for COS from a local print house to a regional printing operation. Sales turnover of COS increased by 22% as it took on more inter-company orders. However, profit margin was depressed as its capacity could not meet the demand shifted from China and significant number of print jobs had to be outsourced to meet customers' demand on on-time delivery.

We are positive about the potential of Papercraft, which was acquired in February 2020 to expand our print capacity in South-East Asia. Mirroring the northward shift of Hong Kong's printers into China's Guangdong province 30 years ago, our Singaporean operation will be transformed into a major expertise hub, providing support and capabilities to our new plant in Malaysia.

B.PRINT SERVICES MANAGEMENT

APOL Group:
2019 was a challenging year for APOL after a hugely successful 2018. Turnover declined by 16% as orders from US customers were delayed due to the uncertainty of tariffs on Chinese imports, and orders from South American customers have declined due to the weak local currencies. Furthermore, it also faced strong competition from printers who are keen to capitalize on that uncertainty to grow their market shares.

Regent:
It was an outstanding year for Regent where sales turnover increased by 12% to reach a 10-year record high. This is a great achievement given that most of its products such as stationaries, journals and notebooks were sold in the US market and they were subject to tariffs of 25%.

C.PUBLISHING

The Quarto Group

The results of Quarto's turnaround have been encouraging as it has returned to profit for the first time since 2016. Its financial stability is now further secured with the completion of a one-for-one open offer in February 2020. The money raised by the open offer was used to pay down the net bank debt to a healthier level, which will reduce its interest and other banking related expenses.

Quarto's publishing program remained strong with the Little People, Big Dreams children's series and Beautiful Boards leading the best-selling new titles list. Our existing backlist titles continued to provide significant contribution to the top line during our business turnaround. And we have strengthened our leadership team to spearhead our development of quality publishing programs.

PROSPECT

We are transforming from a China based printer to a multinational group comprising printing, print management and publishing.

Looking ahead, we expect more publishing houses will shift their print production away from China. In the next 3 years, the major focus for our printing business is to ramp up the capacity of our plant in Malaysia to add 50% of that of our flagship plant in China. This will not be easy as there are supply chain and logistical challenges in Malaysia, but we are confident that the operation at the new plant will reach critical mass to become financially sustainable.

The print management business at APOL and Regent has been the cornerstone of our asset-light policy. We are leveraging that know-how in supply chain orchestration and applying it in Quarto with some successes. We will be investing in more technological tools and systems at Quarto to extend our supply chain orchestration capability.

On the publishing front, we have made significant inroads into returning Quarto to financial health, improving the print management capability, and establishing electronic systems to access business data. However, a lot more work is required to transform Quarto. As a printer, we are mindful that we do not possess the publishing business DNA, and we are making this transformation with a degree of adaptability. We are confident that, with Quarto's strength in global sales coverage, print production efficiency and laser-focus publishing program, we will be in a leadership position in not so distant future.

FINANCIAL REVIEW

Revenue for the year ended 31 December 2019 was approximately HK$1,607.0 million and represented a decrease of 3.5% from the previous corresponding year (2018: HK$1,665.4 million). The decrease was mainly driven by the decrease in sales in Asia Pacific Offset in the US and South American regions; and a decline in printing spending from government agencies from Left Field in Australia. The decrease was mitigated by the completion of an over 30 million print copies project in the 1010 division in the first half of the year.

Gross profit margin dropped slightly from 28.4% to 28.0%. A lower gross profit margin in 2019 was the results of increased outsource cost and increased depreciation charge from new machineries acquired.

Other income decreased from approximately HK$87.3 million in 2018 to approximately HK$48.8 million in 2019. The decrease was mainly due to 1) one off gain on release of exchange reserve upon deregistration of subsidiary in New Zealand of approximately HK$28.3 million in 2018; 2) reversal/write back of provisions for leasehold dilapidations of HK$7.3 million in 2018; 3) decrease in write back of accruals and other payables of HK$5.8 million; 4) decrease in bad debt recovered of HK$5.5 million; and offset by the increase in exchange gain.

Selling and distribution expenses decreased from approximately HK$211.5 million in 2018 to approximately HK$195.0 million in 2019. The decrease was due to lower freight cost and agency commission cost attributed to the decrease in related sales.

Administrative expenses decreased from approximately HK$108.2 million in 2018 to HK$99.0 million in 2019. The decrease was mainly due to higher legal and professional fees in 2018 in relation to certain corporate projects carried out last year; and the decrease in exchange loss recognised in the year.

Other expenses for the year represented provision for impairment on trade and loan receivables. Amount substantially decreased from approximately HK$33.7 million in 2018 to approximately HK$0.2 million in 2019 was due to the inclusion of HK$27.5 million listing expenses incurred on the delisting of our subsidiary, OPUS Group Limited from Australian Securities Exchange and the listing of Left Field Printing Group Limited in the Main Board of the Stock Exchange of Hong Kong after reorganization; and the decrease in impairment of receivables driven by lower outstanding trade receivables and the related credit risk.

Share of profit of associate represented share of result in The Quarto Group, Inc.. The profit share decreased from HK$11.3 million to HK$5.1 million for the year ended 31 December 2019.

Income tax expenses for the year increased to approximately HK$38.7 million for 2019 from approximately HK$30.0 million in 2018. The lower income tax in 2018 was due to the non-taxable gain arose from the release of exchange reserve on deregistration of subsidiary in New Zealand as mentioned above.

Profit for the year attributable to owners of the Company amounted to approximately HK$138.8 million (2018: HK$169.4 million), a decrease of 18% compared with last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had net current assets of approximately HK$713.7 million (31 December 2018: HK$677.3 million) of which the cash and bank balances were approximately HK$495.7 million (31 December 2018: HK$508.3 million). The Group's current ratio was approximately 2.5 (31 December 2018: 2.2).

Total bank borrowings and lease liabilities for the Group amounted to HK$312.0 million (31 December 2018: HK$288.6 million and 1 January 2019: HK$381.4 million). Bank borrowings were denominated in Hong Kong dollars at floating rates repayable within five years. The Group's gearing ratio as at 31 December 2019 was 26.5% (31 December 2018: 24.8% and 1 January 2019: 32.8%), 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, 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$95.1 million. The purchase is mainly financed by internal resources. The carrying amount of right-of-use assets as at 31 December 2019 was approximately HK$86.0 million.

PLEDGED DEPOSIT

As at 31 December 2019, the Group had pledged deposit of approximately HK$5.7 million (31 December 2018: 5.8 million). The pledged deposit is pledged as a security for the Group's banking facilities.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no material contingent liabilities.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2019, the Group had around 1,271 full-time employees (2018: 1,224). 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.

FINAL DIVIDEND, DISTRIBUTION IN SPECIE AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to recommend the payment of a final dividend of HK$0.04 (the "Final Dividend") for the year ended 31 December 2019 (2018: final dividend of HK$0.07) to holders of ordinary shares whose names appear on the register of holders of ordinary shares of the Company as at the close of business on 15 May 2020.

In addition to the Final Dividend, the Board has proposed to distribute 48,125,000 shares in Left Field Printing Group Limited ("Left Field Shares") indirectly held by the Company through Bookbuilders BVI Limited to the shareholders of the Company as a special dividend in the form of a distribution in specie ("Distribution in Specie"). To this end, Bookbuilders BVI Limited has proposed the distribution of 48,125,000 Left Field Shares in specie to 1010 Group Limited and 1010 Group Limited has proposed the distribution of 48,125,000 Left Field Shares to be received from Bookbuilders BVI Limited in specie to the Company on 15 May 2020. The Board has also proposed to distribute such number of Left Field Shares that the Company is to be entitled to receive from 1010 Group Limited to the qualifying shareholders whose names appear on the register of members of the Company on 15 May 2020 on the basis of 1 Left Field Share for every 16 Shares held by a qualifying shareholder.

The register of members will be closed on 15 May 2020 and no transfer of shares will be registered on such day. To qualify for the Final Dividend and the Distribution in Specie, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, whose share registration public offices are located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 14 May 2020. Subject to the passing of the relevant resolution of the forthcoming annual general meeting, the Final Dividend and share certificates of Left Field Printing Group Limited is expected to be paid and dispatched on 3 June 2020.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") during the year.

AUDIT COMMITTEE

The audit committee has three members comprising the three independent non-executive directors, namely, Mr. Yeung Ka Sing, Prof. Lee Hau Leung and Dr. Ng Lai Man, Carmen with terms of reference in compliance with the Listing Rules. The audit committee has reviewed the audited financial results of the Group for the year ended 31 December 2019.

On behalf of the Board
Lau Chuk Kin
Executive Director

Hong Kong,13 March 2020

As at the date of this announcement, the Board comprises Mr. Lau Chuk Kin, Ms. Lam Mei Lan and Mr. Chu Chun Wan as executive directors; Mr. Li Hoi David and Mr. Guo Junsheng as non-executive directors; Mr. Yeung Ka Sing, Prof. Lee Hau Leung and Dr. Ng Lai Man, Carmen as independent non-executive directors.

This final results announcement is published on the website of Hong Kong Stock Exchange at www.hkexnews.hk and on the Company's website at www.lionrockgrouphk.com. The annual report 2019 of the Company will also be published on the aforesaid websites in due course.