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 2020

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 2020, together with the comparative figures for the year ended 31 December 2019 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	3	1,373,471	1,606,969
Direct operating costs		(1,035,510)	(1,157,282)
Gross profit		337,961	449,687
Other income	5	96,406	48,841
Selling and distribution costs		(170,720)	(194,991)
Administrative expenses		(98,500)	(99,095)
Impairment of trade receivables		(12,521)	(75)
Share of profit of associate		8,733	5,064
Finance costs	6	(11,952)	(16,891)
Profit before income tax	7	149,407	192,540
Income tax expense	8	(33,102)	(38,739)
Profit for the year		116,305	153,801

* *For identification purpose only*

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2020 (Continued)

	Notes	2020 HK$'000	2019 HK$'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of financial statements of foreign operations		44,764	(11,102)
Share of other comprehensive income of an associate		2,241	(4,142)
Other comprehensive income for the year, net of tax		47,005	(15,244)
Total comprehensive income for the year		163,310	138,557
Profit for the year attributable to:			
Owners of the Company		104,323	138,801
Non-controlling interests		11,982	15,000
		116,305	153,801
Total comprehensive income attributable to:			
Owners of the Company		140,530	126,714
Non-controlling interests		22,780	11,843
		163,310	138,557
Earnings per share for profit attributable to owners of the Company during the year	10		
Basic		HK13.59 cents	HK18.03 cents
Diluted		HK13.58 cents	HK18.03 cents

Consolidated Statement of Financial Position
As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	209,762	198,591
Deposits for acquisition of property, plant and equipment		14,753	1,034
Right-of-use assets	12	96,566	85,976
Intangible assets	13	202,441	175,181
Interest in an associate	14	143,914	67,215
Loans to an associate	14	53,180	-
Lease receivables		-	1,220
Deferred tax assets		25,795	28,337
		746,411	557,554
Current assets			
Inventories	15	180,670	174,591
Trade and other receivables and deposits	16	434,441	468,034
Loans to an associate	14	-	53,390
Lease receivable		507	3,559
Financial assets at fair value through profit or loss	17	45	-
Tax recoverable		1,587	-
Pledged deposit		161	5,650
Cash and bank balances		502,291	495,707
		1,119,702	1,200,931
Current liabilities			
Trade and other payables	18	231,893	197,621
Bank borrowings	19	191,450	214,775
Lease liabilities	20	31,448	29,064
Provisions		21,985	22,286
Financial liabilities at fair value through profit or loss	17	-	47
Financial liabilities arising from put option		15,367	-
Provision for taxation		9,827	23,463
		501,970	487,256
Net current assets		617,732	713,675
Total assets less current liabilities		1,364,143	1,271,229
Non-current liabilities			
Other payables	18	3,019	-
Financial liabilities arising from put option		-	14,977
Provisions		4,398	1,831
Lease liabilities	20	67,436	68,188
Deferred tax liabilities		12,574	9,303
		87,427	94,299
Net assets		1,276,716	1,176,930
EQUITY			
Share capital		7,700	7,700
Reserves		1,140,802	1,073,788
Equity attributable to owners of the Company		1,148,502	1,081,488
Non-controlling interests		128,214	95,442
Total equity		1,276,716	1,176,930

Consolidated Statement of Changes in Equity
For the year ended 31 December 2020

	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	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	-	-	-	-	-	-	-	(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 an 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

Consolidated Statement of Changes in Equity
For the year ended 31 December 2020 (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	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 2020	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
2019 final dividend paid (Note 9)	-	-	-	-	-	-	-	-	-	-	(30,800)	-	(30,800)	-	(30,800)
Distribution in species (Note 9)	-	-	-	-	-	-	-	(2,983)	-	-	-	(19,731)	(22,714)	22,714	-
Changes in shareholding in a subsidiary (Note 22)	-	-	-	-	-	-	-	823	-	-	-	-	823	(4,115)	(3,292)
Capital contribution from non-controlling interests (Note 22)	-	-	-	-	-	-	-	-	-	-	-	-	-	2,012	2,012
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,619)	(10,619)
Purchase of shares under share award scheme	-	-	-	-	-	-	-	-	-	(21,613)	-	-	(21,613)	-	(21,613)
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	-	-	-	788	-	-	-	788	-	788
Transactions with owners	-	-	-	-	-	-	-	(2,160)	788	(21,613)	(30,800)	(19,731)	(73,516)	9,992	(63,524)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	104,323	104,323	11,982	116,305
Other comprehensive income															
Currency translation	-	-	33,966	-	-	-	-	-	-	-	-	-	33,966	10,798	44,764
Share of other comprehensive income of an associate	-	-	2,455	-	-	-	-	-	-	-	-	(214)	2,241	-	2,241
Total comprehensive income for the year	-	-	36,421	-	-	-	-	-	-	-	-	104,109	140,530	22,780	163,310
2020 proposed final dividend (Note 9)	-	-	-		-	-	-	-	-	-	38,500	(38,500)	-	-	-
Balance at 31 December 2020	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

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 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:

- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKAS 1 and HKAS 8, Definition of Material
- Amendments to HKAS 39, HKFRS 7 and HKFRS 9, Interest Rate Benchmark Reform

These new or 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. Impact on the applications of these amended HKFRSs are summarised below.

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

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

2.1 Adoption of new or amended HKFRSs (Continued)

Amendment to HKFRS 16, Covid-19-Related Rent Concessions (Continued)

(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 in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there 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 this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group re-measuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2020 on initial application of the amendment.

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

2.2 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.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[4]
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract[2]
HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Annual Improvements to HKFRSs 2018-2020[2]	

[1] Effective for annual periods beginning on or after 1 January 2021.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
[4] Effective for annual periods beginning on or after 1 January 2023.
[5] The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

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 and operating 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, lease receivables, interest in an associate and loan to an associate)	
	2020	**2019**	**2020**	**2019**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
PRC	-	-	155,060	161,306
United States of America ("USA")	558,791	599,114	314	319
Australia	491,568	560,435	173,818	162,684
United Kingdom	193,598	219,638	3	4
Spain	43,897	59,736	-	-
Mexico	19,120	25,436	-	-
Germany	17,419	27,056	-	-
New Zealand	11,422	15,086	-	-
Singapore	8,646	13,351	35,428	42,634
Peru	1,587	11,570	-	-
Ireland	3,242	10,664	-	-
Canada	6,876	10,387	-	-
Chile	5,023	9,904	-	-
Guatemala	491	8,374	-	-
Bolivia	203	6,503	-	-
Brazil	86	3,168	-	-
Argentina	250	1,214	-	-
Hong Kong (domicile)	370	602	100,524	93,835
Malaysia	397	-	58,375	-
Others	10,485	24,731	-	-
	1,373,471	1,606,969	523,522	460,782

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 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.

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

	2020 HK$'000	2019 HK$'000
Reportable segment profit	152,626	204,367
Share of profit of associate	8,733	5,064
Finance costs	(11,952)	(16,891)
Profit before income tax	149,407	192,540
Reportable segment liabilities	385,373	357,477
Deferred tax liabilities	12,574	9,303
Borrowings	191,450	214,775
Group liabilities	589,397	581,555

5. Other income

	2020 HK$'000	2019 HK$'000
Sales of scrapped paper and by-products	16,968	18,803
Gain on financial assets/liabilities at fair value through profit or loss	-	2,383
Impairment of trade receivables recovered	450	470
Interest income	3,749	8,430
Interest income on lease receivables	41	270
Gain on disposals of property, plant and equipment	2,899	5,246
Government subsidies	53,330	757
COVID-19 related rent concessions	951	-
Net foreign exchange gain	13,531	8,537
Sundry income	4,487	3,945
	96,406	48,841

6. Finance costs

	2020 HK$'000	2019 HK$'000
Interest charges on bank borrowings, which contain repayment on demand clause	7,258	11,609
Interest on lease liabilities	4,304	4,893
Imputed interest on financial liabilities arising from put option	390	389
	11,952	16,891

7. Profit before income tax

	2020 HK$'000	2019 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration (Note (i) below)	2,476	2,834
Impairment of trade receivables	12,521	75
Bad debts written off	1	100
Cost of inventories recognised as direct operating costs	1,035,510	1,157,282
Provision for inventories made/(written back), net, included in cost of inventories recognised as direct operating costs	4,931	(2,748)
Depreciation of owned property, plant and equipment (Note (ii) below)	40,841	33,092
Depreciation of right-of-use assets	29,307	25,464
Amortisation of intangible assets	809	3,233
Short-term leases expenses	2,021	6,365
COVID-19 related rent concessions	(951)	-
Net foreign exchange gain	(13,531)	(8,537)
Loss/(Gain) on financial assets/liabilities at fair value through profit or loss	56	(2,383)
Employee benefit expense, including directors' emoluments (Note (iii) below)	303,903	308,191

7. Profit before income tax (Continued)

Notes:

(i) Auditor's remuneration for other non-audit services of HK$205,000 was recognised during the year (2019: HK$352,000).

(ii) Depreciation charges for property, plant and equipment of HK$37,291,000 (2019: HK$29,536,000) and HK$3,550,000 (2019: HK$3,556,000) have been included in cost of inventories recognised as direct operating costs and administrative expenses respectively.

Depreciation of right-of-use assets of HK$18,936,000 (2019: HK$18,683,000) and HK$10,371,000 (2019: HK$6,781,000) have been included in cost of inventories recognised as direct operating costs and administrative expenses respectively.

(iii) Employee benefit expense of HK$194,976,000 (2019: HK$196,835,000), HK$59,463,000 (2019: HK$65,395,000) and HK$49,464,000 (2019: HK$45,961,000) have been included in cost of inventories recognised as direct operating costs, selling and distribution costs and administrative expenses respectively.

8. Income tax expense

For years ended 31 December 2020 and 2019, under the two-tiered profits tax rate regime, 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. 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%.

The Group's subsidiaries in Australia are subject to domestic tax rate of 30% (2019: 30%) 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.

	2020 HK$'000	2019 HK$'000
Current tax - Hong Kong profits tax		
Tax for the year	16,973	17,302
Under provision in prior years	734	541
	17,707	17,843
Current tax – Australia		
Tax for the year	10,902	11,290
(Over)/Under provision in prior years	(48)	175
	10,854	11,465
Current tax - other overseas countries		
Tax for the year	19	395
Under/ (Over) provision in prior years	142	(929)
	161	(534)
Deferred tax		
Charged during the year	4,380	9,965
	33,102	38,739

9. Dividends and distribution

	2020 HK$'000	2019 HK$'000
Final dividend paid in respect of prior year of HK$0.04 (2019: HK$0.07) per share	30,800	53,900
Interim dividend paid in respect of current year of Nil (2019: HK$0.03) per share	-	23,100
Distribution in specie (Note)	19,731	-
	50,531	77,000

Note: On 13 March 2020, the directors proposed the distribution in specie ("Distribution in Specie") of shares in Left Field Printing Group Limited, a subsidiary of the Company, to its shareholders on the basis of 1 share in Left Field Printing Group Limited for every 16 shares of the Company held by the shareholders of the Company as at the record date of 15 May 2020. The Distribution in Specie was completed on 3 June 2020 with a total of 48,124,780 shares of Left Field Printing Group Limited distributed with the total fair value of HK$19,731,000. As a result of the Distribution in Specie, the Group's equity interest in Left Field Printing Group Limited decreased from 68.0% to 58.5%

At a meeting held on 23 March 2021, the directors recommended a final dividend of HK$0.05 per ordinary share, amounting to approximately HK$38,500,000 in aggregate based on the total number of ordinary shares in issue at that date. This proposed final dividend is not reflected as a dividend payable in these financial statements, but reflected as an appropriation of retained earnings for the year ended 31 December 2020.

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$104,323,000 (2019: HK$138,801,000) 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 767,599,494 (2019: 769,997,090).

For the year ended 31 December 2020, the calculation of diluted earnings per share is based on the profit attributable to owners of the Company of approximately HK$104,323,000 and on the following data:

	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	767,599,494
Effect of dilutive potential ordinary shares:	
- Share awards	855,213
	768,454,707

For the year ended 31 December 2019, diluted earnings per share was the same as basic earnings per share as the Group had no potential ordinary shares.

11. Property, plant and equipment

	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 January 2019								
Cost	11,031	5,110	8,701	60,300	13,700	4,535	325,619	428,996
Accumulated depreciation	(4,730)	(4,969)	(5,781)	(52,185)	(12,627)	(3,032)	(205,304)	(288,628)
Net book amount	6,301	141	2,920	8,115	1,073	1,503	120,315	140,368
Year ended 31 December 2019								
Opening net book amount	6,301	141	2,920	8,115	1,073	1,503	120,315	140,368
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 and 1 January 2020								
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
Year ended 31 December 2020								
Opening net book amount	5,196	96	3,133	9,561	1,032	2,560	177,013	198,591
Exchange differences	448	4	90	441	39	85	10,750	11,857
Acquired through business combinations (Note 21)	9,562	379	-	193	12	-	10,440	20,586
Additions	-	48	202	34	600	356	18,476	19,716
Disposals	-	-	-	-	-	(4)	(143)	(147)
Depreciation	(1,004)	(120)	(691)	(3,001)	(720)	(783)	(34,522)	(40,841)
Closing net book amount	14,202	407	2,734	7,228	963	2,214	182,014	209,762
At 31 December 2020								
Cost	21,710	5,419	9,912	66,776	16,470	5,215	458,973	584,475
Accumulated depreciation	(7,508)	(5,012)	(7,178)	(59,548)	(15,507)	(3,001)	(276,959)	(374,713)
Net book amount	14,202	407	2,734	7,228	963	2,214	182,014	209,762

As at 31 December 2020 and 2019, the Group's land and buildings represented (1) freehold land and buildings of HK$4,861,000 (2019: HK$5,196,000), which are situated in Australia; and (2) leasehold buildings of HK$9,341,000 (2019: Nil), which are situated in Malaysia.

12. Right-of-use assets

	Leasehold land HK$'000	Leased properties HK$'000	Plant and equipment HK$'000	Total HK$'000
At 1 January 2019	-	78,192	3,649	81,841
Additions	-	29,471	427	29,898
Depreciation	-	(24,135)	(1,329)	(25,464)
Exchange adjustments	-	(273)	(26)	(299)
At 31 December 2019 and 1 January 2020	-	83,255	2,721	85,976
Acquired through business combinations (Note 21)	5,907	-	-	5,907
Modification of sub-leases	-	2,775	-	2,775
Additions	-	25,327	238	25,565
Disposals	-	(223)	-	(223)
Depreciation	(143)	(27,788)	(1,376)	(29,307)
Exchange adjustments	17	5,593	263	5,873
At 31 December 2020	5,781	88,939	1,846	96,566

13. Intangible assets

	Goodwill HK$'000	Customer relationship HK$'000	Total HK$'000
At 1 January 2020			
Opening net carrying amount	174,372	809	175,181
Acquired through business combination (Note 21)	19,074	-	19,074
Exchange differences	8,995	-	8,995
Amortisation during the year	-	(809)	(809)
Closing net carrying amount	202,441	-	202,441
At 31 December 2020			
Cost	203,735	9,700	213,435
Amortisation and impairment	(1,294)	(9,700)	(10,994)
Net carrying amount	202,441	-	202,441

14. Interest in an associate/loans to an associate

	2020 HK$'000	2019 HK$'000
Interest in an associate (non-current assets):		
Share of net assets other than goodwill	69,065	7,310
Goodwill	74,849	59,905
	143,914	67,215
Loans to an associate:		
Advances to an associate	54,180	54,390
Expected credit loss	(1,000)	(1,000)
	53,180	53,390
Represented by:		
Non-current assets	53,180	-
Current assets	-	53,390
	53,180	53,390

During the year, the Group further invested in The Quarto Group Inc. (the "Associate") with a total consideration of HK$66,611,000 through the open offer of the Associate, acquisition of shares from independent third party and a director of the Company. As at 31 December 2020, the Group held 36.7% (2019: 25.41%) equity interests in the Associate and the fair value of this investment based on quoted market price of the shares is HK$86,827,000 (2019: HK$39,810,000).

15. Inventories

	2020 HK$'000	2019 HK$'000
Raw materials	148,280	143,733
Work-in-progress	41,582	35,665
Finished goods	6,267	4,982
Less: Provision for obsolescence	(15,459)	(9,789)
	180,670	174,591

16. Trade and other receivables and deposits

Ageing analysis of trade receivables as at 31 December 2020, based on the invoice date, is as follows:

	2020 HK$'000	2019 HK$'000
0 – 30 days	120,169	106,468
31 – 60 days	98,881	84,465
61 – 90 days	56,629	65,132
91 – 120 days	40,421	55,908
121 – 150 days	25,384	38,906
Over 150 days	63,736	77,411
Total trade receivables	405,220	428,290
Less: Provision for impairment of trade receivables	(18,584)	(6,981)
Trade receivables – net	386,636	421,309
Other receivables and deposits	47,805	46,725
	434,441	468,034

In general, the Group allows a credit period from 30 to 180 days (2019: 30 to 180 days) to its customers.

As at 31 December 2020, trade receivables of HK$99,808,000 (2019: HK$106,388,000) were due from an associate.

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 2020, ageing analysis of trade payables based on invoice date is as follows:

	2020 HK$'000	2019 HK$'000
0 – 30 days	67,918	54,006
31 – 60 days	23,704	21,083
61 – 90 days	7,473	12,782
91 – 120 days	74	602
Over 120 days	368	215
	99,537	88,688
Other payables (current liabilities)	132,356	108,933
Other payables (non-current liabilities)	3,019	-
	234,912	197,621

Credit terms granted by the suppliers are generally 0 to 90 days (2019: 0 to 90 days).

19. Bank borrowings

	2020 HK$'000	2019 HK$'000
Current portion		
- Bank loans due for repayment within one year	120,392	106,850
- Bank loans due for repayment after one year which contain a repayment on demand clause	71,058	107,925
Total bank borrowings	191,450	214,775

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:

	2020 HK$'000	2019 HK$'000
Within one year	120,392	106,850
In the second year	38,766	90,200
In the third to fifth year	32,292	17,725
Wholly repayable within five years	191,450	214,775

20. Leases

The Group as a lessee

	2020 HK$'000	2019 HK$'000
Balance as at 1 January	97,252	95,388
Additions	25,565	29,898
Termination	(223)	-
Interest expense	4,304	4,893
Lease payments	(34,940)	(32,472)
Exchange adjustments	6,926	(455)
Balance as at 31 December	98,884	97,252
Represented by:		
Current liabilities	31,448	29,064
Non-current liabilities	67,436	68,188
	98,884	97,252

21. Business Acquisition During the Year

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 Sdn. Bhd. ("Papercraft"), a company incorporated in Malaysia with the consideration of HK$42.8 million. Papercraft is engaged in the manufacturing of paper based stationery products and books printing in Malaysia. The acquisition was completed on 25 February 2020 and has been accounted for using acquisition method. An amount of HK$36,801,000 was paid during the year whilst the remaining considerations of HK$6,038,000 will be paid by instalments in accordance to the terms of sale and purchase agreement by 25 February 2022.

The fair value of identifiable assets and liabilities of Papercraft as at the date of acquisition and goodwill arising from the acquisition were as follows:

	HK$'000
Property, plant and equipment	20,586
Right-of-use assets	5,907
Trade and other receivables	311
Cash and bank balances	6
Trade and other payables	(53)
Deferred tax liabilities	(2,992)
Fair value of net assets acquired	23,765
Consideration:	
- Cash paid during the year	36,801
- Other payables as at 31 December 2020	6,038
	42,839
Goodwill	19,074
Net cash outflow arising on acquisition:	
Cash consideration	36,801
Less: Cash and cash equivalents acquired	(6)
	36,795

22. Non-controlling interests

(a) Change of shareholding in Left Field Printing Group Limited ("Left Field")

(i) On 3 June 2020, the Company distributed 48,124,780 shares of Left Field to its shareholders as distribution in specie and since then, the Groups' equity interest in Left Field decreased from 68.0% to 58.5%. The difference between the proportionate share of the carrying amount of net assets and the fair value of distributed shares have been debited to other reserve.

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

	2020 **HK$'000**
Fair value of distributed shares of Left Field	19,731
Net assets attributable to the distributed shares	(22,714)
Decrease in equity attributable to owners of the Company (included in other reserve)	(2,983)

(ii) In July 2020, Left Field repurchased and subsequently cancelled its 8,238,000 ordinary shares in August 2020 with the aggregate consideration of HK$3,292,000. As a result of this share capital reduction, the equity interests in Left Field held by the Group was increased from 58.47% to 59.44%. The difference between the proportionate share of the carrying amount of net assets and the consideration paid for repurchase and cancellation of Left Field's shares have been debited to other reserve.

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

	2020 **HK$'000**
Consideration paid	3,292
Net assets attributable to additional ownership interest	(4,115)
Increase in equity attributable to owners of the Company (included in other reserve)	823

(b) Change of shareholding in Anson Worldwide Limited ("Anson")

On 3 February 2020, Anson, a wholly owned subsidiary of the Group, which was inactive at that time, increased its share capital by issuing 9,999 new ordinary shares to the Group and an independent third party with the consideration of HK$26,665,000 and HK$2,012,000 respectively. Since then, the Group's shareholding in Anson decreased from 100% to 93%.

CHAIRMAN'S STATEMENT

The COVID-19 pandemic has brought unprecedented challenges in living memory. Economies were shut down, global supply chains disrupted, jobs were lost, and families were kept apart. Despite the rollout of the vaccine, the socio-economic impact of COVID-19 will be felt for years.

Even before the emergence of COVID-19, the competitiveness of print manufacturers outside of China, particularly in Eastern Europe, has progressed up considerably. The China-US trade war and the changing cost structure in China have chipped away the competitive edge of China based manufacturers. The global supply chain disruption caused by COVID-19 will make the competitive landscape all the more complex.

The Group took a number of painful but necessary initiatives to mitigate financial risks when our plants in China, Australia, Singapore and Malaysia were closed by national lockdowns. The pragmatic approach taken by the Group's management, combined with our scale and support of our colleagues, customers and suppliers, have helped our business running during this global crisis.

Against this backdrop, the Group has demonstrated a resilient performance and we are cautiously optimistic about the year ahead. The Group's balance sheet and liquidity remained strong, and we are looking for opportunistic acquisitions to strengthen our competitive edge in the printing and publishing sectors.

It has been a challenging time for many of us, who are stretched working while caring for our parents, children, family and friends. I am immensely proud of the professionalism and dedication demonstrated by our colleagues and the care they showed to our customers and to each other in the often-difficult circumstances. I am confident that our team will continue to go the extra mile and the Group is well positioned for future growth when normal times return.

Yeung Ka Sing
Chairman
Hong Kong, 23 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The COVID-19 pandemic has wreaked havoc to the global supply chain and the book industry. Printing plants and bookshops were closed by occasional lockdowns, customers cut back on printing orders due to the macroeconomic uncertainty, and logistics was impacted by freight capacity crunch.

Despite the unprecedented challenges and downbeat revenue reported in H1, the Group had a solid H2 driven by a rebound of the global book market. Turnover of the Group for the full year declined by 15% to HK$1,373 million (2019: HK$1,607 million) and Group net profit attributable to owners of the Company decreased by 25% to HK$104 million (2019: HK$139 million). Management believe that the Company is one of the better performers in the printing industry. This result vindicated the Group's asset light strategy and our immediate action to manage costs at the onset of the COVID-19 outbreak.

Publishers in the West have been offshoring their print production to the Far East since the 80s. Low labour costs, efficient freight network and digital technology have made 4-colour printing easier and more cost effective to print in China. However, the China-US trade war has forced publishers to re-examine their supply chain strategy, and a number of leading publishing houses have shifted their print orders to non-China print manufacturers, particularly in Europe.

We expect the offshoring trend that started 40 years ago to come full circle. The continued appreciation of RMB and the increasing labour and material costs in China have chipped away the competitiveness of China based printers. The re-shoring trend is further accelerated by the ongoing global shipping disruption, with freight costs doubled on China-US routes and quadrupled on China-Europe routes.

The above development underscores the importance of the Group's strategy to diversify geographically. We foresaw the decline of China's print manufacturing 6 years ago which led to the acquisition of the OPUS Group in Australia. The Group's recent purchase of Papercraft Sdn. Bhd. ("Papercraft"), a Johor based Malaysian printing plant, is a continuation of that strategy. Work has commenced to upgrade the infrastructure at Papercraft in preparation for the planned capacity expansion.

A. PRINT MANUFACTURING

1010 Printing, China manufacturing and international sales operations:
Sales turnover declined by 6% year-on-year. A number of sales orders were lost due to the COVID-19 lockdown in China in Q1. The global macroeconomic uncertainly also led to a drop of order in the first half of the year. Despite the disappointing start, the global book industry rebounded strongly in 2H, which helped us recover considerable lost ground.

Left Field Printing Group, Australia manufacturing:
Sales turnover at Left Field Printing dropped by 19% year-on-year. Print jobs from local government and small businesses have declined, with most of the revenue drop caused by the loss of a multi-year contract with a major publisher. The financial support from the Australian government's JobKeeper Payment scheme has cushioned the impact of COVID-19 on the business.

COS, Singapore manufacturing:
Sales turnover at COS increased by 2%. While the academic journal printing business was affected by regional COVID-19 lockdown, COS took on more US bound inter-company orders. The consolidation of Papercraft, our Malaysian plant acquired in early 2020, was delayed by COVID-19 'movement control' imposed by the Malaysian government. Infrastructure upgrade work has since been re-initiated as part of the consolidation plan. We expect that in the foreseeable future, COS/Papercraft will continue to incur loss as it ramps up its operation.

B.PRINT SERVICES MANAGEMENT

APOL Group, international sales operations:
Despite sales turnover declined by 18% year-on-year, profit after tax increased by 20% thanks to tight cost control from APOL management. Our business in the Latin American market was hit by weak educational sales and local currencies depreciation. On the positive note, revenues from the US and UK were in line with previous year.

Regent, Hong Kong sales operation:
Regent's sales turnover declined by 20% in 2020. Regent's teaching aids kit and school yearbook segments were severely affected by school closures globally. Given their exposure to the US retail and education sectors, which were particularly impacted by COVID-19, the Regent management is working on mitigating the accounts receivable risks.

C.PUBLISHING

The Quarto Group
Quarto's revenue is down year-on-year at US$126.9 million (2019: US$135.8 million) as retail book sales were affected by lockdown in the US and UK in Q1. The global book market had a strong bounce back in 2H, aided by growing online sales and reopening of high street retail. Quarto's strategy to publish less but better books and pruning corporate overhead costs including interest expenses have lifted its' profit after tax to US$4.6 million (2019: US$2.9 million).

PROSPECT

Scale matters at times of crisis. It is particularly true in the printing and publishing industry where scale gives you access to raw materials, freight capacity, and fulfilment service that come in limited supply during a global pandemic. The Group is in an enviable position to adapt quickly to the challenging business environment because of our scale.

We expect our China based operations, including 1010 Printing, APOL and Regent, to deliver solid results. Despite the prolonged uncertainly of COVID-19, we are seeing good order uptake from a resilient global book market. And we believe the positive trading condition will continue throughout the year.

We have made scaling up geographically a strategic focus of the Group. An important initiative is to develop Papercraft in Malaysia and ramp up its' manufacturing capacity to add 35% of that of our flagship plant in China. We are targeting mid-2022 to accomplish this objective and the combined operation of Papercraft and COS will place the Group in a unique position among major book printers in China to have a significant print manufacturing presence in South East Asia.

Left Field Printing management is planning in advance for the end of the JobKeeper wage subsidy programme, which will expire in March 2021. We expect the business will be adversely affected without the financial support. And with the Australian Government moving forward with the paperless initiative, we anticipate uncertainty and challenges with the local trading environment.

The publishing business is an important strategic focus for us to diversify vertically and will be the Group's new engine of growth. Working closely with Quarto management, we have managed a successful turnaround of the business after a 3-year effort. It is now a much more streamlined operation with a publishing program that is focused on 6 key book categories. With Quarto in much better financial shape now, we will focus on growing the business organically and via bolt-on acquisitions.

The Group will continue to make investments in IT and digital capability. The automation of our business processes is enhancing our productivity. And the digitalization of interface with our clients' systems and improvement of our ERP will allow us to use data analytics to enhance our production efficiencies. These long-term investments will be the driver of our competitiveness in a competitive market.

We are cautiously optimistic about the year ahead. The changing cost structure in China and the 'onshoring' momentum will work against us. But we are confident that our investments in regional manufacturing footprint, business diversification, and digital capability will reinforce our leadership position in the book printing sector in Asia.

FINANCIAL REVIEW

Revenue for the year ended 31 December 2020 was approximately HK$1,373.5 million and represented a decrease of 14.5% from previous corresponding year (2019: HK$1,607.0 million). The decrease was driven by the reduced orders from overseas customers during the economic uncertainty caused by the COVID-19 pandemic.

Gross profit margin dropped from 28.0% to 24.6%. A lower gross profit margin in this year was the result of relatively higher fixed production cost compared with the decrease in sales during the year.

Other income increased by approximately HK$47.6 million to HK$96.4 million (2019: HK$48.8 million). The increase was primarily contributed by various government subsidies and rebate received during the year of approximately HK$54.3 million mainly related to various employee retention schemes as a result of COVID-19 and increase in foreign exchange gain of approximately HK$5.0 million. The increase in other income was partially offset by the decrease in gain on disposals of property, plant and equipment of HK$2.3 million; the decrease in interest income of HK$4.7 million; the decrease in gain on fair value of forward contracts by HK$2.4 million; and the decrease in sales of scrapped materials.

Selling and distribution expenses decreased from approximately HK$195.0 million in 2019 to approximately HK$170.7 million in 2020 attributed to the decrease in sales. Selling and distribution expenses against sales increased from 12.1% in 2019 to 12.4% in 2020 mainly due to relative higher staff costs ratio.

Administrative expenses remain relatively stable at approximately HK$98.5 million (2019: HK$99.1 million). The decrease in overseas travelling expenses and entertainment costs during the COVID-19 pandemic was offset by the increased legal and professional costs upon various corporate projects and the increase in staff costs.

Impairment of trade receivables increased from approximately HK$0.1 million in 2019 to approximately HK$12.5 million in 2020 was due to the expected increase in credit risk on customers suffering from the worldwide economic uncertainty.

Finance costs decreased from approximately HK$16.9 million in 2019 to approximately HK$12.0 million in 2020. The decrease was due to the decreased interest expenses on bank borrowings upon gradual repayment of loan principal.

Share of profit of associate represented share of result in The Quarto Group, Inc.. The profit share increased from approximately HK$5.1 million to approximately HK$8.7 million for the year ended 31 December 2020.

Income tax expenses for the year decreased to approximately HK$33.1 million for 2020 from approximately HK$38.7 million in 2019, being in line with the decrease in profit for the year.

Profit for the year attributable to owners of the Company amounted to approximately HK$104.3 million (2019: HK$138.8 million), a decrease of 24.9% compared with last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group had net current assets of approximately HK$617.7 million (2019: HK$713.7 million) of which the cash and bank balances were approximately HK$502.3 million (2019: HK$495.7 million). The Group's current ratio was approximately 2.2 (2019: 2.5).

Total bank borrowings and lease liabilities for the Group amounted to HK$290.3 million (2019: HK$312.0 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 2020 was 22.7% (2019: 26.5%), 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$19.7 million. The purchase is mainly financed by internal resources. The carrying amount of right-of-use assets as at 31 December 2020 was approximately HK$96.6 million.

PLEDGED DEPOSIT

As at 31 December 2020, the Group had pledged deposit of approximately HK$0.2 million (2019: HK$5.7 million). The pledged deposit is pledged as a security for the banking guarantee facilities of a subsidiary.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no material contingent liabilities.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2020, the Group had around 1,287 full-time employees (2019: 1,271). 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 AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to recommend the payment of a final dividend of HK$0.05 (the "Final Dividend") for the year ended 31 December 2020 (2019: final dividend of HK$0.04) 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 18 May 2021.

The register of members will be closed on 18 May 2021 and no transfer of shares will be registered on such day. To qualify for the Final Dividend, 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 17 May 2021. Subject to the passing of the relevant resolution of the forthcoming annual general meeting, the Final Dividend is expected to be paid and dispatched on 3 June 2021.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2020, 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 2020.

On behalf of the Board
Lau Chuk Kin
Executive Director

Hong Kong, 23 March 2021

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 2020 of the Company will also be published on the aforesaid websites in due course.