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

ANNUAL REPORT 2021

CONTENTS

The Group's long pursued geographic diversification strategy enables us to serve our customers with flexibility from different production bases in the region. And our balanced portfolio of print manufacturing, print services management and publishing provides us the visibility to anticipate potential disruptions in the book industry's supply chain.

CHAIRMAN'S STATEMENT

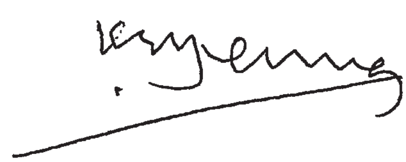
In fiscal 2021, we delivered outstanding financial results in the most uncertain period in recent memory. The exceptional performance reflects the soundness of the Group's strategy to diversify beyond print manufacturing with an asset-light approach.

The COVID-19 pandemic continues to transform the global supply chain landscape. While many companies have designed their supply chains for cost efficiency, the intermittent supply chain disruptions are forcing them to pursue a new operating model of reliability and resiliency. This will require visibility of the entire supply chain and tight integration of planning, procurement, production and logistics functions.

The print and publishing industry is following this trend and shifting from a cost-based competition to supply chain based competition. The Group's long pursued geographic diversification strategy enables us to serve our customers with flexibility from different production bases in the region. And our balanced portfolio of print manufacturing, print services management and publishing provides us the visibility to anticipate potential disruptions in the book industry's supply chain.

The strengthening of the supply chain capability across our three business segments is a key priority of the Group and we believe it will serve as a key differentiator for us versus our competitors. We are confident that the Group is well placed to stand out in the challenging COVID-driven environment.

To our dedicated staff, your contribution has been pivotal to the Group's extraordinary results in 2021. I would like to thank each one of you for going above and beyond to deliver this great performance. Thank you.



YEUNG KA SING
Chairman
Hong Kong, 23 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2021 was the year that the world turned to books. The global book market experienced record sales as people rediscovered a love of reading during the COVID-19 pandemic. The US book market, the largest in the world, recorded a 9% year-on-year growth in terms of printed book units sold according to NPD BookScan. This showed the remarkable resilience of the book industry and proved that it is a business for the ages.

It was also the year that showed the benefits of Lion Rock's long pursued strategy of diversification. Our vertically integrated operation model provides us a holistic view of the entire supply chain of the book industry. This has enabled us to anticipate supply and demand and to work around potential disruption at critical points – from paper supply, print capacity, shipping capacity to last mile fulfillment for book retailers. And the combined scale of our businesses has helped us overcome one of the worst freight capacity shortages in decades.

The three business segments of the Group – Print Manufacturing, Print Services Management and Publishing, all performed very strongly. The revenue of the Group increased by 27% to $1,737.6 million (2020: $1,373.5 million). Profit after tax increased by 22% to reach $142.0 million (2020: $116.3 million).

A. PRINT MANUFACTURING

1010 Printing, China manufacturing and international sales operations:
Sales turnover increased by 32% year-on-year and reached a record high. The extraordinary sales performance was underpinned by strong demand from our US and UK based customers and increased unit prices. Despite the inflating paper and labour costs, we were one of the few China based printers to delay price increase and honoured the commercial terms of ongoing contracts.

Left Field Printing Group, Australia manufacturing:
Sales turnover at Left Field Printing increased by 17% year-on-year driven by a robust book market in Australia. The result was partly dampened by COVID restrictions mandated by the Australian government in mid-2021, which led to temporary operation and supply chain disruptions.

COS/Papercraft, Singapore & Malaysia manufacturing:
Sales turnover at COS/Papercraft declined by 3% as we shifted more inter-company sales back to 1010 Printing to facilitate the consolidation of Papercraft and COS. Infrastructure upgrade work is ongoing at COS to migrate our production facilities from Singapore to Malaysia. We expect COS/Papercraft will continue to incur loss as we go through this transition in 2022.

B. PRINT SERVICES MANAGEMENT

APOL Group, international sales operations:
Sales turnover increased by 24% year-on-year due to strong performance in US, Europe and Australia. Latin American market continues to be a weak spot for APOL due to volatile local currencies and declined educational sales.

Regent, Hong Kong sales operation:
Regent's sales turnover increased by 16% in 2021 with the strong performance of the North American market. The Regent team managed to sign up a number of new customers and the recovery of the US retail and education sectors has helped mitigate some of accounts receivable risks from previous years.

C. PUBLISHING

The Quarto Group

The team at Quarto delivered a business performance that was considerably ahead of expectations. Revenue reached US$151.5 million (2020: US$126.9 million), driven by strong sales of their backlist titles. The re-building of shared services including IT, procurement and logistics has vastly improved Quarto's operations performance and provided a firm foundation for next phase of growth.

STRATEGIC OUTLOOK

We predicted a downward trend for China's print manufacturing sector years ago as the competitiveness of China based printers is being chipped away by inflating costs. However, our prediction has been proven either wrong or premature by this year's excellent results.

Our previous prediction was based on the declining cost advantage of Chinese printers over their Eastern European competitors. On the Chinese labour cost front, we expect wages to rise in the long term as the demographic dividend that drove China's economic growth gradually disappears. Material costs for chemicals, paper and zinc plates will also trend upward as China continues its' economic growth path.

The cost of shipping from China has remained at astronomical level. The constant shipping disruptions and delays have caused companies to over stock on products, which further limits shipping capacity. We do not expect the cost to come down to pre-COVID levels as the three shipping alliances, which collectively account for 80% of the shipping market, are now grasping the opportunity to make up for the unprofitable years.

However, the emergence of the COVID-19 pandemic has altered the competitive dynamics of the print industry. For one, the demand of print books has soared as book buyers seek comfort and entertainment in fiction and non-fiction books. The global print capacity could barely meet this surge of demand and the supply and demand imbalance has shifted the industry from a cost-based competition to a supply chain competition.

On the supply side, we believe the print capacity for illustrated books in Europe will remain limited for several reasons. First, businesses in Europe are confronting unprecedented and widespread shortages of workers. The unemployment rate in the region has dropped to record low and will keep driving their labour costs up. The inflationary pressures will keep the competitiveness of European printers in check.

Second, there is a lack of print capacity in Europe due to years of under investment of printing plants. Even though more investments have been made recently, it would take years to ramp up the actual capacity.

Third, we expect paper supply in Europe to be limited. The decommissioning of paper mills in the region has created a supply bottleneck for uncoated wood-free paper. European environmental policies introduced recently will further limit the supply.

With European printers facing their own host of problems and part of the US print manufacturing sector already hollowed out, China based printers have so far proved to be competitive on the strength of a resilient and reliable supply chain. How the above market forces play out in the long run is anybody's guess.

PROSPECT

We expect the demand for print books to be subdued in first half of the year. The major retailers have overstocked on print books to mitigate potential supply issues during the 2021 holiday season. As a result, publishers will order less in the first quarter as they brace for a higher volume of book return from retailers.

Shipping costs will likely remain at high levels in the next 12 months as countries struggle to deal with shortage of labour. The cost of shipping a 40-foot container load of books from China to the US west coast in general market has increased from US$5,000 in 2020 to US$18,000 in 2021. This translates to an extra cost of approximately US$0.7 per copy, which narrows our cost advantage versus the European competitors. To counter that, we will build up our production capability in non-commoditized items such as children's books and sound-chip books.

As the market shifts from a cost-based competition to a supply chain competition, the focus of the Group is to enhance our supply chain capability. We will continue to build up our Papercraft operation in Malaysia as part of our geographic diversification strategy. We are in the process of strengthening our network of regional suppliers to build resiliency. And we will enhance our logistics reliability by utilizing data analytics to identify areas for improvement.

Our three business segments are performing extraordinarily in the challenging COVID-driven environment. I would like to thank every employee for their dedication and strong performance in 2021.

FINANCIAL REVIEW

Revenue for the year ended 31 December 2021 was approximately HK$1,737.6 million and represented an increase of 27% from previous corresponding year (2020: HK$1,373.5 million). The increase was driven by the strong demand from our US, Europe and Australia based customers.

Gross profit margin increased from 24.6% to 25.7%. Despite the upsurge of material and labour costs during the year, the effect was prevailed over by the lower fixed production cost rate against sales.

Other income decreased by approximately HK$49.8 million to HK$46.6 million (2020: HK$96.4 million). The decrease was primarily due to the decrease in government subsidies of approximately HK$49.4 million; decrease in foreign exchange gain of approximately HK$8.9 million and decrease in gain on disposals of property, plant and equipment of approximately HK$2.7 million. The decrease in other income was partially offset by the increase in gain on fair value of forward contracts of approximately HK$4.2 million and the increase sales of scrapped materials as a result of increased productions in 2021.

Selling and distribution expenses increased from approximately HK$170.7 million in 2020 to approximately HK$209.1 million in 2021 as a result of the increase in sales. Selling and distribution expenses against sales decreased from 12.4% in 2020 to 12.0% in 2021. The effect of lower staff costs ratio outweighed the increase in freight charges during the year.

Administrative expenses increased from approximately HK$98.5 million to approximately HK$109.2 million. Staff costs under administrative expenses increased by approximately HK$16.1 million, of which included the equity settled share-based payment expenses of approximately HK$4.8 million arising from the share award scheme granted in late 2020. The increase in staff cost was partially offset by the decrease in legal and professional costs owing to less corporate projects held during the year.

Impairment loss of intangible assets of approximately HK$18.5 million was recognised during the year representing the loss on the goodwill arising from the acquisition of Papercraft in 2020.

Impairment of trade and loan receivables decreased from approximately HK$12.5 million in 2020 to a reversal of approximately HK$1.3 million in 2021 due to the expected decrease in credit risk following the gradual recovery of the economy and improved customer payment pattern.

Share of profit of associate represented share of result in The Quarto Group, Inc.. The profit share increased from approximately HK$8.7 million to approximately HK$27.5 million for the year ended 31 December 2021.

Finance costs decreased from approximately HK$12.0 million in 2020 to approximately HK$8.5 million in 2021. The decrease was due to the decreased interest expenses on bank borrowings upon gradual repayment of loan principal.

Income tax expenses for the year increased to approximately HK$35.1 million for 2021 from approximately HK$33.1 million in 2020, along with the increase in profit for the year.

Profit for the year attributable to owners of the Company amounted to approximately HK$132.5 million (2020: HK$104.3 million), an increase of 27.0% compared with last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group had net current assets of approximately HK$595.1 million (2020: HK$617.7 million) of which the cash and cash equivalents were approximately HK$431.9 million (2020: HK$502.3 million). The Group's current ratio was approximately 2.0 (2020: 2.2).

Total bank borrowings and lease liabilities for the Group amounted to approximately HK$335.7 million (2020: HK$290.3 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 2021 was 24.9% (2020: 22.7%), 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$47.4 million. The purchase is mainly financed by internal resources. The carrying amount of right-of-use assets as at 31 December 2021 was approximately HK$71.5 million.

PLEDGED DEPOSIT

As at 31 December 2021, the Group had pledged deposit of approximately HK$0.2 million (2020: HK$0.2 million). The pledged deposit is pledged as a security for the banking guarantee facilities of a subsidiary.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no material contingent liabilities.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

MR. LAU CHUK KIN

Mr. Lau Chuk Kin, aged 69, was appointed as an executive Director in 2011. Mr. Lau has been responsible for the overall strategic formulation and management of the Group. Mr. Lau is an executive director of Left Field Printing Group Limited, a subsidiary of the Company whose shares are listed on the Stock Exchange of Hong Kong Limited and The Quarto Group, Inc., an associate of the Company whose shares are listed on the London Stock Exchange. Mr. Lau obtained a Bachelor of Arts degree from the University of Minnesota in the United States and a Master of Business Administration degree from the Chinese University of Hong Kong. Mr. Lau is the compliance officer of the Group. He has over 29 years of experience in printing business. He is a director of ER2 Holdings Limited and City Apex Ltd., substantial shareholders of the Company. He is a shareholder of ER2 Holdings Limited.

MS. LAM MEI LAN

Ms. Lam Mei Lan, aged 55, was appointed as an executive Director in 2015. She is the chief financial officer of the Group and has been responsible for the financial management of the Group. Ms. Lam holds a Master of Business Administration degree from the Chinese University of Hong Kong and a Doctor of Business Administration degree from The Hong Kong Polytechnic University. She is a fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Ms. Lam has over 30 years of experience in finance and has held senior financial positions in various main board listed companies and a non-profit charitable organization in Hong Kong. Ms. Lam is a non-executive director of The Quarto Group, Inc., an associate of the Company whose shares are listed on the London Stock Exchange.

MR. CHU CHUN WAN

Mr. Chu Chun Wan, aged 71, was appointed as an executive Director in 2015. Mr. Chu has been the managing director of Asia Pacific Offset Limited ("APOL") since 1999. He has over 40 years of experience in the printing industry in Hong Kong and held senior positions, including as deputy managing director of Mandarin Offset Limited and executive vice president of Hua Yang Printing Group. Mr. Chu is responsible for making overall strategic decisions in APOL which is a subsidiary acquired by the Group in 2012. Mr. Chu is father of Ms. Stephanie Chu, general manager of APOL.

NON-EXECUTIVE DIRECTORS

MR. LI HOI, DAVID

Mr. Li Hoi, David, aged 64, was appointed as an executive Director in 2013 and re-designated to non-executive Director in 2017. Before Mr. Li's re-designation to non-executive role, he was the Managing Director of Oceanic Graphic International Inc. ("OGI"), a subsidiary of the Group and was responsible for the overall management of OGI. Mr. Li is the founder of a print management company in the United States. Mr. Li has over 30 years of experience in publishing and printing industries and has held different positions in several publishing and printing companies in the United Kingdom, United States and Hong Kong. Mr. Li received a diploma from London College of Printing (currently known as London College of Communication) and a diploma from the British Printing Industries Federation.

MR. GUO JUNSHENG

Mr. Guo Junsheng, aged 32, was appointed as a non-executive Director in 2016. Mr. Guo holds a Bachelor of marketing degree from the Guangzhou University. He is also a founding and controlling shareholder of an art and cultural development company, a trading company and an information technology company in China. He also has extensive experience in a non-profit charitable organization in Guangdong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. YEUNG KA SING, GBS MBE JP

Mr. Yeung Ka Sing, *GBS MBE JP* aged 80, was appointed as an independent non-executive Director and Chairman of the Company in 2011. Mr. Yeung has been active in public and community services for over 30 years. Notably, he was chairman of the Hong Kong Housing Society, Standing Commission on Civil Service Salaries and Condition of Service, Community Investment and Inclusion Fund Committee. He was also a member of the Transport Advisory Committee, member of the City University Council, member of the Employers' Federation and council member of the Hong Kong Management Association.

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

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

PROF. LEE HAU LEUNG

Prof. Lee Hau Leung, aged 69, was appointed as an independent non-executive Director of the Company in 2011. He is the Thoma Professor of Operations, Information and Technology at the Graduate School of Business at Stanford University. Prof. Lee was elected to the National Academy of Engineering in 2010, and is a Fellow of the Manufacturing and Service Operations Management Society in 2001, a Fellow of the Institute for Operations Research and the Management Sciences in 2005, and a Fellow of the Production and Operations Management Society in 2005. Prof. Lee obtained his Bachelor of Social Science degree from the University of Hong Kong, his Master of Science degree in Operational Research from the London School of Economics and Political Science, University of London, and his Master of Science and Doctorate degree from the University of Pennsylvania. Prof. Lee is an independent non-executive director of TD Synnex Corporation, a company listed on the New York Stock Exchange, and Esquel Enterprises Limited, a private company based in Hong Kong.

DR. NG LAI MAN, CARMEN

Dr. Ng Lai Man, Carmen, aged 57, was appointed as an independent non-executive Director in 2011. Dr. Ng has over 30 years of experience in professional accounting and corporate finance in Hong Kong, the PRC, the United States and Europe. Dr. Ng is a practising certified public accountant in Hong Kong, a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and Institute of Chartered Accountants in England and Wales. She is a director of Cosmos CPA Limited and Redwood Asset Management Limited (a company licensed with the Hong Kong Securities and Futures Commission).

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

SENIOR ADVISOR TO THE BOARD

MR. YANG SZE CHEN, PETER

Mr. Yang Sze Chen, Peter, aged 83, is the senior advisor to the Board after his retirement as executive Director of the Company in 2015. Mr. Yang joined the Group in 2009 and was responsible for the overall management of the Group till his retirement. He graduated from the London School of Printing and Graphic Arts (currently known as London College of Communication) in 1958 and has over 50 years of experience in the printing industry. He is the founder of a premier book printing company in Hong Kong.

SENIOR MANAGEMENT

MR. GEORGE TAI

Mr. George Tai, aged 72, is the managing director and minority shareholder of Regent Publishing Services Limited ("Regent"). He founded Regent, a subsidiary acquired by the Group in 2017, in 1985 and has been responsible for the overall management of Regent since its incorporation. Mr. Tai has been in the printing industry since 1973 and started his career in printing with Dai Nippon Printing Company and Hong Kong Scanner Craft Limited.

MR. RICHARD F. CELARC

Mr. Richard F. Celarc, aged 65, is the chairman and executive director of Left Field Printing Group Limited ("Left Field"), a subsidiary of the Company whose shares are listed on the Stock Exchange of Hong Kong Limited. He is responsible for the overall strategic planning and management of Left Field Group. Mr. Celarc has around 40 years of experience in the printing business in Australia. He co-founded Ligare Pty Ltd, a subsidiary of the Company, and grew the business into the largest specialist book printer in New South Wales.

MS. STEPHANIE CHU

Ms. Stephanie Chu, aged 40, has been appointed as the General Manager of APOL since 1 December 2015. Ms. Chu has been with APOL for over 10 years, including 8 years at senior management level. She graduated from The University of Kent in 2004 with a Bachelor of Science degree in Forensic Studies. Ms. Chu oversees the overall operations and management of APOL. Ms. Chu is daughter of Mr. Chu Chun Wan, an executive director of the Company.

MR. LAM WING YIP

Mr. Lam Wing Yip, aged 48, is the chief technology officer of the Group. Mr. Lam is responsible for the design and implementation of information technology strategies that align with the Group's business goals. He has over 20 years of experience in information technology field. Prior to joining the Group in 2011, he worked in several multinational corporations. Mr. Lam obtained a Bachelor of Science degree from the Chinese University of Hong Kong.

MS. TAN LAI MING

Ms. Tan Lai Ming, aged 44, is the company secretary and financial controller of the Group. Ms. Tan obtained a bachelor's degree in accountancy from the City University of Hong Kong and has been a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. She is responsible for the company secretarial and finance functions of the Group. She worked at Deloitte Touche Tohmatsu for over 7 years before joining the Group in 2011.

MR. SU LEIGANG

Mr. Su Leigang, aged 45, is the vice president of supply chain of the Group. He obtained a Master's degree in information system from the University of Southampton, United Kingdom and a bachelor's degree in industrial automation (computer control) from China Textile University (currently known as Donghua University), Shanghai, the PRC. Mr. Su has over 10 years of experience in the information technology field. Prior to joining the Group in 2007, he worked as IT manager for 5 years at a company listed on the Shanghai Stock Exchange.

MR. TONG WING WAI, GILBERT

Mr. Tong Wing Wai, Gilbert, aged 47, is the regional director of China and Southeast Asia. He joined the Group in 2011. Mr. Tong is responsible for the production and administration of 1010 Printing's China Plant and also oversees the business operation in Singapore and Malaysia. He has over 10 years of experience in the printing industry. He obtained a Master of Business Administration from the University of Adelaide and a bachelor degree in Mechanical and Automation Engineering from the Chinese University of Hong Kong.

MS. TANG TSZ YING

Ms. Tang Tsz Ying, aged 37, is an executive director and company secretary of Left Field Printing Group Limited ("Left Field"). She is responsible for overseeing the finance and company secretarial function of Left Field Group. Ms. Tang obtained a Bachelor's degree in Business Administration in Accountancy from the Hong Kong Polytechnic University. She is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in Australia. Ms. Tang joined OPUS Group Pty. Ltd. (Formerly known as OPUS Group Limited), a subsidiary of the Company in 2016. She worked in Ernst and Young, both Hong Kong office and Sydney office, for over 7 years.

MS. WONG WAI YEE

Ms. Wong Wai Yee, aged 35, is the sales director of the Group. She oversees the sales functions of 1010 Printing International Limited, a wholly owned subsidiary of the Company. Ms Wong obtained a Bachelor's degree of arts in language studies for the professions from The Hong Kong Polytechnic University. She joined the Group in 2012 and has 10 years of experience in international trade.

MR. LIU WAI TUNG

Mr. Liu Wai Tung, aged 42, is the director of technology and innovation of the Group. Mr. Liu obtained a Master's degree of Business Administration from The University of Greenwich, a Master's degree of Philosophy from The Hong Kong Polytechnic University and a Bachelor's degree of Information Engineering from The Chinese University of Hong Kong. He oversees the information system management and related projects. Prior to joining the Group in 2017, Mr. Liu has over 10 years of experience in information technology consulting and management in various industries.

MR. WAN HON MAN, VICTOR

Mr. Wan Hon Man, Victor, aged 41, is the Strategic Planning Director of the Group. Mr. Wan has over 16 years of experience in the technology field. Prior to joining the Group in 2019, he was the founder and managing director of an e-commerce business. He served in various leadership roles at a Fortune 500 technology firm for over a decade in the areas of corporate strategy, alliance management and business development. Mr. Wan obtained his bachelor's and master's degrees in Science and Engineering from the University of Pennsylvania and a master's degree of Business Administration from INSEAD.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

A review of the Group's business during the year and analysis of the Group's performance using financial key performance indicators and prospects of the Group's business is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 003 to 007 respectively of this Annual Report.

PRINCIPAL RISK AND UNCERTAINTIES

Macro-economic and political conditions

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

Digitalisation of information

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

Technological developments in the printing industry

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

Financial risks

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

RELATIONSHIP WITH STAKEHOLDERS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

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

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 035.

DIVIDEND

During the year, the Directors have declared an interim dividend of HK$0.03 (2020: Nil) per share, totaling HK$23,100,000 which was paid on 24 September 2021.

The Directors recommended a final dividend of HK$0.06 (2020: HK$0.05) per share (the "Final Dividend") for the year ended 31 December 2021. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, the Final Dividend will be payable on 6 July 2022.

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution to the shareholders of the Company amounted to approximately HK$378 million.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 123 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

DIRECTORS

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

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. Li Hoi, David
Mr. Guo Junsheng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Ka Sing
Prof. Lee Hau Leung
Dr. Ng Lai Man, Carmen

In accordance with No. 84 of the Company's bye-laws, Mr. Chu Chun Wan, Mr. Li Hoi David and Mr. Guo Junsheng will retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

DIRECTORS' SERVICES CONTRACT

Each of the independent non-executive directors has entered into a service contract with the Company for a term of two years ending on 31 December 2022. The service contract is subject to termination by either party giving not less than three months' prior written notice to the other.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 December 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any associated corporations, within the meaning of Part XV the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the 'Model Code") were as follows:

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

Name of Directors	Personal Interests	Family Interests	Corporate Interests	Total Interests	Percentage to the issued share capital of the Company
	(Shares)	(Shares)	(Shares)	(Shares)	(%)
Mr. Lau Chuk Kin (Note 1)	78,701,906	Nil	266,432,717	345,134,623	44.82
Ms. Lam Mei Lan	16,568,688	Nil	Nil	16,568,688	2.15
Mr. Guo Junsheng (Note 2)	Nil	Nil	249,804	249,804	0.03

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

Name of Directors	Personal Interests	Family Interests	Corporate Interests	Total Interests	Percentage to the issued share capital of Left Field
	(Shares)	(Shares)	(Shares)	(Shares)	(%)
Mr. Lau Chuk Kin (Note 3)	9,803,278	Nil	313,048,997	322,852,275	64.74
Ms. Lam Mei Lan	1,035,543	Nil	Nil	1,035,543	0.21

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

	Number of shares				
Name of Director	Outstanding at 1.1.2021	Granted during the year	Vested during the year	Cancelled/ lapsed during the year	Outstanding at 31.12.2021
Mr. Lau Chuk Kin	200,000	–	–	–	200,000
Ms. Lam Mei Lan	3,840,000	–	–	–	3,840,000
Mr. Chu Chun Wan	200,000	–	–	–	200,000
Mr. Li Hoi David	200,000	–	–	–	200,000
Mr. Guo Junsheng	200,000	–	–	–	200,000
Mr. Yeung Ka Sing	200,000	–	–	–	200,000
Prof. Lee Hau Leung	200,000	–	–	–	200,000
Dr. Ng Lai Man Carmen	200,000	–	–	–	200,000

Notes:

1. Of 266,432,717 shares, 258,135,326 shares and 8,297,391 shares are beneficially owned by City Apex Ltd. and ER2 Holdings Limited ("ER2 Holdings") respectively. As at 31 December 2021, ER2 Holdings was the ultimate holding company of City Apex Ltd.. Mr. Lau Chuk Kin owned 69.76% of the issued share capital of ER2 Holdings and accordingly, Mr. Lau is deemed to be interested in the said shares pursuant to Part XV of the Securities and Futures Ordinance.

2. The shares are beneficially owned by Dragon Might Global Limited ("Dragon Might"). As at 31 December 2021, Dragon Might is 100% directly owned by Mr. Guo Junsheng and therefore Mr. Guo is deemed to be interested in the said shares.

3. Of 313,048,997 shares, 16,133,457 shares, 518,586 shares and 296,396,954 shares are beneficially owned by City Apex Ltd., ER2 Holdings and Bookbuilders BVI Ltd respectively. As at 31 December 2021, Bookbuilders BVI Ltd is an indirect wholly-owned subsidiary of the Company. As stated under note 1 above, Mr. Lau is deemed to be interested in 44.82% issued share capital of the Company. Accordingly, Mr. Lau is deemed to be interested in the said shares.

Save as disclosed above, as at 31 December 2021, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed to have any interests of short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME AND SHARE AWARD SCHEME

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

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, the following persons, other than a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company, being 5% or more in the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Nature of interest: Beneficial Owner	Nature of interest: Interest in controlled corporation	Total Interests	Percentage to the issued share capital of the Company
	(Shares)	(Shares)	(Shares)	(%)
ER2 Holdings Limited (Note 1)	8,297,391	258,135,326	266,432,717	34.60
City Apex Ltd. (Note 1)	258,135,326	Nil	258,135,326	33.52
Mr. Chang Mun Kee (Note 2)	10,067,583	54,112,030	64,179,613	8.34
Mr. Webb David Michael (Note 3)	19,975,168	41,665,808	61,640,976	8.00
JcbNext Berhad (Note 2)	54,112,030	Nil	54,112,030	7.03
Preferable Situation Assets Limited (Note 3)	41,665,808	Nil	41,665,808	5.41

Note:

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

2. According to the record kept by the Company, as at 31 December 2021, Mr. Chang Mun Kee is interested in 45.49% of the shares in JcbNext Berhad. Therefore, Mr. Chang is deemed to be interested in the said shares held by Jcbnext Berhad.

3. According to the record kept by the Company, as at 31 December 2021, Preferable Situation Assets Limited is 100% directly owned by Mr. Webb David Michael and therefore Mr. Webb is deemed to be interested in the said shares held by Preferable Situation Assets Limited.

Save as disclosed above, as at 31 December 2021, the Company had not been notified of any other person (other than a Director or chief executive of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company and was required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

MAJOR SUPPLIERS AND CUSTOMERS

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 38% and 16% of the Group's total purchases for the year ended 31 December 2021 respectively.

The top five customers in aggregate and the single largest customer of the Group accounted for approximately 30% and 11% of the Group's total sales for the year ended 31 December 2021 respectively.

Quarto, an associated corporation of the Company, is one of the top five customers.

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

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY PROVISION

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

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirm that the Company has maintained throughout the year ended 31 December 2021, the amount of public float as required under the Listing Rules.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

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

CORPORATE GOVERNANCE

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

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2021, the Group had around 1,303 full-time employees (2020: 1,287). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employees benefits include provident fund, insurance and medical cover, share option scheme and share award scheme.

AUDITOR

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

On behalf of the Board

Yeung Ka Sing
Chairman
Hong Kong, 23 March 2022

CORPORATE GOVERNANCE REPORT

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the Model Code regarding securities transactions by the Directors throughout the year ended 31 December 2021.

BOARD OF DIRECTORS

As at 31 December 2021, the Board comprises eight Directors, of whom three are executive Directors, two are non-executive Directors and three are independent non-executive Directors. The Board has in its composition a balance of skills and experience necessary for decision making and fulfilling its business needs. The participation of non-executive Directors in the Board brings independent judgement on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

Each of the non-executive directors and independent non-executive directors entered into a service contract with the Company for a term of two years ending 31 December 2022. All are subject to termination by either party giving not less than three months' prior written notice to the other.

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

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

The Board members for the year ended 31 December 2021 were:

Chairman
Mr. Yeung Ka Sing

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

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

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

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

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

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

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

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

The Board held 4 Board meetings and one annual general meeting ("AGM") in 2021. Details of the attendance of the Board are as follows:

	Attended/Held	
Directors	Board meeting	AGM
Mr. Lau Chuk Kin	4/4	1/1
Ms. Lam Mei Lan	4/4	1/1
Mr. Chu Chun Wan	4/4	1/1
Mr. Li Hoi David	4/4	1/1
Mr. Guo Junsheng	4/4	1/1
Mr. Yeung Ka Sing	4/4	1/1
Prof. Lee Hau Leung	4/4	1/1
Dr. Ng Lai Man, Carmen	4/4	1/1

ACCOUNTABILITY AND AUDIT

The Directors acknowledge responsibility for overseeing the preparation of the financial statements for the year ended 31 December 2021.

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

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

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

PROFESSIONAL DEVELOPMENT

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

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

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

COMPANY SECRETARY

The company secretary of the Company is Ms. Tan Lai Ming, a fellow member of The Hong Kong Institute of Certified Public Accountants. Ms. Tan is also the financial controller of the Company. As an employee of the Company, the company secretary assists the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. She has taken not less than 15 hours of relevant professional training in 2021.

REMUNERATION COMMITTEE

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

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

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

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

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

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

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

The Remuneration Committee held one meeting in 2021. Details of the attendance record of the committee meetings are as follows:

Committee members	Attended/Held
Mr. Lau Chuk Kin	1/1
Mr. Yeung Ka Sing	1/1
Prof. Lee Hau Leung	1/1
Dr. Ng Lai Man, Carmen	1/1

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

Pursuant to paragraph B.1.5 of the Code, the remuneration of the senior advisor and the members of the senior management paid by the Group by band for the year ended 31 December 2021 is set out below:

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

NOMINATION COMMITTEE

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

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

The Nomination Committee held one meeting in 2021. Details of the attendance record of the committee meetings are as follows:

Committee members	Attended/Held
Mr. Lau Chuk Kin	1/1
Mr. Yeung Ka Sing	1/1
Prof. Lee Hau Leung	1/1
Dr. Ng Lai Man, Carmen	1/1

The meeting was held for reviewing the structure, size and composition, and assessing the independence of the independent non-executive directors of the board of directors.

AUDIT COMMITTEE

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

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

The Audit Committee held three meetings in 2021. Details of the attendance record of the committee meetings are as follows:

Committee members	Attended/Held
Dr. Ng Lai Man, Carmen	3/3
Mr. Yeung Ka Sing	3/3
Prof. Lee Hau Leung	3/3

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

The Group's 2021 interim report and 2020 annual report have been reviewed by the Audit Committee, which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. For the 2020 annual report, the Audit Committee met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending it to the Board for approval. The Audit Committee also monitored the Company's progress in implementing the code provisions on corporate governance practices as required under the Listing Rules.

AUDITOR'S REMUNERATION

The fees in relation to services provided by the Company's auditor and its related network firms for the year ended 31 December 2021 were as follows:

	HK$'000
Audit and review of financial reports	
BDO Limited, Hong Kong	1,300
Other BDO network firms	409
	1,709
Other non-audit services	
BDO Limited, Hong Kong	165
Other BDO network firms	40
	205

DIVIDEND POLICY

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

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

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

(iii) the Group's liquidity position;

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS

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

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

– periodic disclosure through the annual and interim reports;

– notices of meetings and explanatory material;

– the annual general meetings and other general meetings; and

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

The Board endeavours to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation. The Directors attended the AGM held in 2021 to answer questions and collect views of shareholders. The external auditor also attended the annual general meeting to answer questions of shareholders.

SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

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

OPINION

We have audited the consolidated financial statements of Lion Rock Group Limited (the Company) and its subsidiaries (together the Group) set out on pages 035 to 122, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (HKSAs) issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment on goodwill

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

As at 31 December 2021, the Group had goodwill of carrying amount of HK$177,925,000 relating to the acquisitions of Asia Pacific Offset Limited, OPUS Group Limited and Regent Publishing Services Limited. Goodwill is assessed annually for impairment.

Management concluded that the cash-generating units ("CGUs") or group of of CGUs or group of CGUs containing goodwill suffered impairment HK$18,481,000 (2020: Nil). This conclusion was based on value-in-use calculations that require the estimation of recoverable amounts of the cash-generating units, as detailed in Note 17 to the consolidated financial statements.

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

OUR RESPONSE

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

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

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

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

Impairment assessment on trade receivables

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

As at 31 December 2021, the carrying amount of trade receivables amounted to HK$494,317,000 which represented 41% of the Group's current assets. Reversal of impairment on trade receivables of HK$2,899,000 was recognised in consolidated profit or loss during the year.

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

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

OUR RESPONSE

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

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

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

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

– Inspecting subsequent cash receipts from customers after the financial year end relating to trade receivables balances as at 31 December 2021, on a sample basis; and

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

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Hong Kong, 23 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021	2020
		HK$'000	HK$'000
Revenue	5	1,737,616	1,373,471
Direct operating costs		(1,290,531)	(1,035,510)
Gross profit		447,085	337,961
Other income	7	46,559	96,406
Selling and distribution costs		(209,129)	(170,720)
Administrative expenses		(109,215)	(98,500)
Impairment loss of intangible assets	17	(18,481)	–
Reversal of/(provision for) impairment of trade and loan receivables, net	18, 20	1,299	(12,521)
Share of profit of associate	18	27,536	8,733
Finance costs	8	(8,524)	(11,952)
Profit before income tax	9	177,130	149,407
Income tax expense	12	(35,105)	(33,102)
Profit for the year		142,025	116,305
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations		(16,027)	44,764
Share of other comprehensive income of an associate		(1,108)	2,241
Other comprehensive income for the year, net of tax		(17,135)	47,005
Total comprehensive income for the year		124,890	163,310
Profit for the year attributable to:			
Owners of the Company		132,491	104,323
Non-controlling interests		9,534	11,982
		142,025	116,305
Total comprehensive income attributable to:			
Owners of the Company		121,614	140,530
Non-controlling interests		3,276	22,780
		124,890	163,310
Earnings per share for profit attributable to owners of the Company during the year	14		
Basic		HK17.89 cents	HK13.59 cents
Diluted		HK17.77 cents	HK13.58 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021	2020
		HK$'000	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	214,359	209,762
Deposits for acquisition of property, plant and equipment	20	3,399	14,753
Right-of-use assets	16	71,518	96,566
Intangible assets	17	177,925	202,441
Interest in an associate	18	189,134	143,914
Loans to an associate	18	129,490	53,180
Lease receivables	24	1,698	–
Deferred tax assets	26	23,200	25,795
		810,723	746,411
Current assets			
Inventories	19	240,605	180,670
Trade and other receivables and deposits	20	539,200	434,441
Lease receivables	24	1,142	507
Financial assets at fair value through profit or loss	25	37	45
Tax recoverable		4,217	1,587
Pledged deposits	21	156	161
Cash and cash equivalents	21	431,920	502,291
		1,217,277	1,119,702
Current liabilities			
Trade and other payables	22	288,934	231,893
Bank borrowings	23	261,967	191,450
Lease liabilities	24	29,908	31,448
Provisions	27	25,508	21,985
Financial liabilities arising from put option	35	–	15,367
Provision for taxation		15,909	9,827
		622,226	501,970
Net current assets		595,051	617,732
Total assets less current liabilities		1,405,774	1,364,143

	Notes	2021	2020
		HK$'000	HK$'000
Non-current liabilities			
Other payables	22	–	3,019
Provisions	27	1,504	4,398
Lease liabilities	24	43,821	67,436
Deferred tax liabilities	26	12,910	12,574
		58,235	87,427
Net assets		1,347,539	1,276,716
EQUITY			
Share capital	28	7,700	7,700
Reserves	30	1,223,463	1,140,802
Equity attributable to owners of the Company		1,231,163	1,148,502
Non-controlling interests		116,376	128,214
Total equity		1,347,539	1,276,716

On behalf of the directors

Yeung Ka Sing
Director

Lau Chuk Kin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Attributable to owners of the Company													Non-controlling interests	Total equity
	Share capital	Share premium	Exchange reserve	Merger reserve	Contributed surplus	Put option reserve	Statutory reserve	Other reserve	Employee compensation reserve	Share award scheme reserve	Proposed final dividend	Retained earnings	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1 January 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 13)	–	–	–	–	–	–	–	–	–	–	(30,800)	–	(30,800)	–	(30,800)
Distribution in species (Note 13 and 34(b)(i))	–	–	–	–	–	–	–	(2,983)	–	–	–	(19,731)	(22,714)	22,714	–
Changes in shareholding in a subsidiary (Note 34(b)(ii))	–	–	–	–	–	–	–	823	–	–	–	–	823	(4,115)	(3,292)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	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 13)	–	–	–	–	–	–	–	–	–	–	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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021	2020
		HK$'000	HK$'000
Cash flows from operating activities			
Profit before income tax		177,130	149,407
Adjustments for:			
Depreciation of property, plant and equipment	15	41,797	40,841
Amortisation of intangible assets	17	–	809
Depreciation of right-of-use assets	16	31,001	29,307
Equity-settled share-based payment expenses	11	4,816	788
(Gain)/loss on financial assets/liabilities at fair value through profit or loss	7,9	(4,231)	56
Impairment of trade receivables recovered	7	(180)	(450)
Interest income	7	(5,314)	(3,749)
Interest income on lease receivables	7	(74)	(41)
Gain on disposals of property, plant and equipment	7	(200)	(2,899)
(Reversal of)/provision for impairment of trade receivables	9	(2,899)	12,521
Provision for impairment of loan receivables	18	1,600	–
Impairment loss of intangible assets		18,481	–
Bad debts (recovered)/written off	9	(3)	1
Interest on lease liabilities	8	3,731	4,304
Imputed interest on financial liabilities arising from put option	8	97	390
Interest expenses on bank borrowings	8	4,696	7,258
(Written back of)/provision for inventories	9	(2,926)	4,931
Gain on deregistration of a subsidiary	7	28	–
Share of profit of associate		(27,536)	(8,733)
Operating profit before working capital changes		240,014	234,741
(Increase)/decrease in inventories		(58,085)	2,830
(Increase)/decrease in trade and other receivables and deposits		(107,189)	30,124
Increase in trade and other payables		54,049	17,049
Increase/(decrease) in provisions		2,077	(34)
Changes in financial assets at fair value through profit or loss		4,239	(148)
Cash generated from operations		135,105	284,562
Income taxes paid		(29,204)	(44,859)
Net cash generated from operating activities		105,901	239,703

	Notes	2021	2020
		HK$'000	HK$'000
Cash flows from investing activities			
Interest received		5,388	3,749
Proceeds on disposals of property, plant and equipment		1,007	3,046
Purchases of property, plant and equipment		(47,382)	(19,716)
Decrease/(increase) in deposits for acquisition of property, plant and equipment		11,273	(12,377)
Decrease in pledged deposit		–	5,487
Payments for right-of use assets	16	(2,562)	–
Increase in loan to an associate	18	(77,300)	–
Acquisition of a subsidiary, net of cash acquired	33	–	(36,795)
Proceeds from lease received from tenants	24	1,330	1,538
Purchase of additional interests in an associate	18	(17,751)	(66,611)
Net cash used in investing activities		(125,997)	(121,679)
Cash flows from financing activities			
New bank borrowings	38	240,000	158,525
Repayments of bank borrowings	38	(169,483)	(181,850)
Interest on bank borrowings paid	38	(4,696)	(7,258)
Repayments of principal portion of the lease liabilities	38	(32,398)	(30,636)
Interest portion of the lease liabilities paid	38	(3,731)	(4,304)
Payments for deemed acquisition of non-controlling interests	34(b)	–	(3,292)
Capital contribution from non-controlling interests	34(c)	–	2,012
Purchase of shares under share award scheme	29	–	(21,613)
Dividends paid to the owners of the Company	13	(59,233)	(30,800)
Dividends paid to non-controlling interests		(15,114)	(10,619)
Net cash used in financing activities		(44,655)	(129,835)
Net decrease in cash and cash equivalents		(64,751)	(11,811)
Effect of exchange rate fluctuations, net		(5,620)	18,395
Cash and cash equivalents at 1 January		502,291	495,707
Cash and cash equivalents at 31 December		431,920	502,291
Analysis of cash and cash equivalents			
Cash and bank balances		431,920	502,291

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

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

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

The financial statements for the year ended 31 December 2021 were approved for issue by the board of directors of the Company (the "Directors") on 23 March 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 035 to 122 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Business combination and basis of consolidation

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Business combination and basis of consolidation (Continued)

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

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

2.3 Subsidiaries

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

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

2.4 Associates

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Associates (Continued)

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

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

2.5 Foreign currency translation

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Goodwill

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

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

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

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

2.8 Intangible assets (other than goodwill)

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

Amortisation is provided on straight-line method over their useful lives of 3 years. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses. The amortisation expenses is recognised in profit or loss and included in administrative expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments

(i) Financial assets

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

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

Debt instruments

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (Continued)

(ii) Impairment loss on financial assets

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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

(iii) Financial liabilities

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

Financial liabilities at FVTPL

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities at FVTPL (Continued)

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

Financial liabilities at amortised costs

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

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

(iv) Effective interest method

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

(v) Derecognition

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (Continued)

(v) Derecognition (Continued)

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

2.10 Share capital

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

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

2.11 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is determined using weighted average cost method, and in the case of work-in-progress and finished goods, cost comprises direct materials and, where applicable, direct labour costs and those overhead costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and applicable selling expenses.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Cash and cash equivalents

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

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

2.13 Leases

The Group as a lessee

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

Right-of-use asset

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Leases (Continued)

The Group as a lessee (Continued)

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

Lease liability

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

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

(i) fixed payments less any lease incentives receivable;

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Leases (Continued)

The Group as a lessee (Continued)

Lease liability (Continued)

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

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

The Group as a lessor

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Revenue recognition

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

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

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

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

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

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

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

(ii) Rental income, interest income and dividend income

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Revenue recognition (Continued)

Contract assets and liabilities

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

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

2.15 Impairment of assets (other than financial assets)

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

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

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

Value-in-use is based on the estimated future cash flows expected to be derived from the asset or CGU (see Note 2.7), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Employee benefits

(i) Retirement benefit schemes

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

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

(ii) Share-based employee compensation

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Employee benefits (Continued)

(ii) Share-based employee compensation (Continued)

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

(iii) Bonus plans

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

(iv) Short-term employee benefits

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

(v) Other long-term employee benefits

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Borrowing costs

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

2.18 Income taxes

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Income taxes (Continued)

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

(i) the same taxable entity; or

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

2.19 Segment reporting

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

2.22 Provisions and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.23 Distributions of non-cash assets to owners

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

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

3.1 Adoption of new or amended HKFRSs

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

- Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16

These amended HKFRSs did not have any significant impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period. Impact on the applications of these amended HKFRSs are summarised below.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

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

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

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.

2021 Amendments to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and 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 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[4]
Amendments to HKAS 8	Definition of Accounting Estimates[4]
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction[4]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract[2]
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[6]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards, HKFRS 9 Financial Instruments and HKFRS 16 Leases[2]

1 Effective for annual periods beginning on or after 1 April 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.

6 No mandatory effective date yet determined but available for adoption.

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

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

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

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

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

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

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

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

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements. 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. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Making Materiality Judgements

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

Amendments to HKAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

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

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

These amendments clarify whether the initial recognition exemption applies to certain transactions that often result in both an asset and a liability being recognised simultaneously. Such instances might include the initial recognition of leases from the perspective of a lessee or asset retirement obligations or decommissioning liabilities.

Amendments to HKAS 16 – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

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

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

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

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the financial statements in future periods should such transaction arise.

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

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

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of CGUs have been determined based on value-in-use calculations, which require the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value.

(ii) Net realisable value of inventories

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

(iii) Provision for ECLs of trade receivables

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

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

(iv) Depreciation

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(v) Current taxation and deferred taxation

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

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

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

(vi) Fair value measurement

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(vii) Employee benefits provision

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

5. REVENUE

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

The Group has assessed that no disaggregation of revenue is appropriate in meeting the disclosure requirements of HKFRS 15 as the information regularly reviewed by the Chief Operating Decision Maker in order to evaluate the financial performance of the Group does not disaggregate revenue into different categories of revenue.

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

	2021	2020
	HK$'000	HK$'000
Contract liabilities (note 22)	24,152	14,331

Contract liabilities relate to the advances received from customers. HK$13,825,000 (2020: HK$10,681,000) of contract liabilities as of 31 December 2020 has been recognised as revenue for the year ended 31 December 2021 from performance obligations satisfied in current year.

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

Revenue from single customer included the sales to entities which are, to the best knowledge of the Group, under common control with these customers. Revenue from customers of the year contributing over 10% of the Group's total revenue for the year ended 31 December 2021 is as follows:

	2021	2020
	HK$'000	HK$'000
The Quarto Group, Inc. (note 36)	185,199	102,509

6. 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, interests in an associate and loan to an associate)	
	2021	2020	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000
PRC	–	–	147,181	155,060
United States of America ("USA")	856,632	558,791	493	314
Australia	523,742	491,568	149,766	173,818
United Kingdom	248,626	193,598	2	3
Spain	46,149	43,897	–	–
New Zealand	15,380	11,422	–	–
Germany	14,853	17,419	–	–
Canada	14,060	6,876	–	–
Singapore	8,266	8,646	25,088	35,428
Chile	6,161	5,023	–	–
Mexico	306	19,120	–	–
Malaysia	104	397	66,319	58,375
Ireland	–	3,242	–	–
Peru	–	1,587	–	–
Guatemala	–	491	–	–
Hong Kong (domicile)	65	370	96,833	100,524
Others	3,272	11,024	–	–
	1,737,616	1,373,471	485,682	523,522

6. 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) 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 reported for the Group's operating segment reconcile to the Group's key financial figures as presented in the consolidated financial statements as follows:

	2021	2020
	HK$'000	HK$'000
Reportable segment profit	158,118	152,626
Share of profit of an associate	27,536	8,733
Finance costs	(8,524)	(11,952)
Profit before income tax	177,130	149,407
Reportable segment liabilities	405,584	385,373
Deferred tax liabilities	12,910	12,574
Bank borrowings	261,967	191,450
Group liabilities	680,461	589,397

7. OTHER INCOME

	2021	2020
	HK$'000	HK$'000
Sales of scrapped paper and by-products	24,450	16,968
Bad debt recovered	3	–
Impairment of trade receivables recovered (Note 20)	180	450
Interest income	5,314	3,749
Interest income on lease receivables	74	41
Gain on financial assets at fair value through profit or loss	4,231	–
Gain on deregistration of a subsidiary	28	–
Gain on disposals of property, plant and equipment	200	2,899
Government subsidies (Note (i))	3,972	53,330
COVID-19 related rent concessions (Note (ii))	–	951
Net foreign exchange gain	4,586	13,531
Sundry income	3,521	4,487
	46,559	96,406

7. OTHER INCOME (Continued)

Notes:

(i) Government subsidies received during the year mainly related to various employee retention schemes in different countries as a result of COVID-19. In Australia, the Group recorded payroll subsidies of HK$2,234,000 (2020: HK$40,864,000) for employees who continued to work in either full-time or part-time capacity whilst the Group also received HK$974,000 (2020: HK$10,345,000) under various employee retention schemes payments in Hong Kong, Singapore, Malaysia and United States to provide a time-limited financial support.

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

(ii) During 2020, the Group has received rent concessions in the form of rent forgiveness from lessors as the Group experienced reduction in printing demands during the COVID-19 pandemic.

The Group has elected to apply the practical expedient introduced by the amendment to HKFRS 16 to all rent concessions that satisfied the criteria. All of the rent concessions entered into during the year ended 31 December 2020 satisfied the criteria to apply the practical expedient. The application of the practical expedient has resulted in the reduction of total lease payments of HK$951,000 in 2020. The effect of this reduction has been recorded in profit or loss in the period in which the event or condition that triggered those payments occurred.

8. FINANCE COSTS

	2021	2020
	HK$'000	HK$'000
Interest charges on bank borrowings, which contain repayment on demand clause	4,696	7,258
Interest on lease liabilities	3,731	4,304
Imputed interest on financial liabilities arising from put option (Note 35)	97	390
	8,524	11,952

9. PROFIT BEFORE INCOME TAX

	2021	2020
	HK$'000	HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration (Note (i) below)	2,253	2,476
(Reversal of)/provision for impairment on trade receivables (Note 20)	(2,899)	12,521
Bad debts (recovered)/written off	(3)	1
Cost of inventories recognised as direct operating costs	1,290,531	1,035,510
Provision for inventories made, net (Note 19), included in cost of inventories recognised as direct operating costs	(2,926)	4,931
Depreciation of owned property, plant and equipment (Note 15 and Note (ii) below)	41,797	40,841
Depreciation of right-of-use assets (Note (ii) below)	31,001	29,307
Amortisation of intangible assets (Note 17)	–	809
Short-term leases expenses	2,743	2,021
COVID-19 related rent concessions	–	(951)
Net foreign exchange gain	(4,586)	(13,531)
(Gain)/loss on financial assets at fair value through profit or loss	(4,231)	56
Gain on deregistration of a subsidiary	(28)	–
Employee benefit expense, including directors' emoluments (Note 11 and Note (iii) below)	355,977	303,903

Notes:

(i) Auditor's remuneration for other non-audit services of HK$205,000 was recognised during the year (2020: HK$205,000).

(ii) Depreciation of property, plant and equipment of HK$37,553,000 (2020: HK$37,291,000) and HK$4,244,000 (2020: HK$3,550,000) have been included in cost of inventories recognised as direct operating costs and administrative expenses respectively.

Depreciation of right-of-use assets of HK$20,095,000 (2020: HK$18,936,000) and HK$10,906,000 (2020: HK$10,371,000) have been included in cost of inventories recognised as direct operating costs and administrative expenses respectively.

(iii) Employee benefit expense of HK$229,763,000 (2020: HK$194,976,000), HK$60,695,000 (2020: HK$59,463,000) and HK$65,519,000 (2020: HK$49,464,000) have been included in cost of inventories recognised as direct operating costs, selling and distribution costs and administrative expenses respectively.

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	Fee	Salaries and allowances	Retirement benefit scheme contributions	Equity-settled share-based payment expenses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2021					
Executive directors					
Mr. Lau Chuk Kin	–	2,100	–	45	2,145
Mr. Chu Chun Wan	–	2,115	164	45	2,324
Ms. Lam Mei Lan	–	3,750	18	638	4,406
Non-executive director					
Mr. Guo Junsheng	120	–	–	45	165
Mr. Li Hoi, David	120	–	–	45	165
Independent non-executive directors					
Mr. Yeung Ka Sing	240	–	–	45	285
Prof. Lee Hau Leung	210	–	–	45	255
Dr. Ng Lai Man, Carmen	210	–	–	45	255
	900	7,965	182	953	10,000
2020					
Executive directors					
Mr. Lau Chuk Kin	–	350	–	6	356
Mr. Chu Chun Wan	–	1,921	164	6	2,091
Ms. Lam Mei Lan	–	1,786	15	80	1,881
Non-executive director					
Mr. Guo Junsheng	120	–	–	6	126
Mr. Li Hoi, David	120	250	–	6	376
Independent non-executive directors					
Mr. Yeung Ka Sing	240	–	–	6	246
Prof. Lee Hau Leung	210	–	–	6	216
Dr. Ng Lai Man, Carmen	210	–	–	6	216
	900	4,307	179	122	5,508

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

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

(a) Directors' emoluments (Continued)

During each of the two years ended 31 December 2021 and 2020, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2020: two) directors whose emolument are reflected in the analysis presented above. Emoluments payable to the remaining three (2020: three) individuals during the year are as follows:

	2021	2020
	HK$'000	HK$'000
Salaries, allowances and other benefits	7,692	5,848
Retirement benefit scheme contributions	173	326
Equity-settled share-based payment expenses	483	16
	8,348	6,190

Their emoluments fell within the following bands:

	Number of individuals	
	2021	2020
Emolument bands		
HK$1,500,001 – HK$2,000,000	–	2
HK$2,000,001 – HK$2,500,000	1	1
HK$2,500,001 – HK$3,000,000	1	–
HK$3,000,001 – HK$3,500,000	1	–
	3	3

During each of the two years ended 31 December 2021 and 2020, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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

(b) Five highest paid individuals (Continued)

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

	Number of individuals	
	2021	2020
Emolument bands		
Nil – HK$1,000,000	1	4
HK$1,000,001 – HK$1,500,000	5	6
HK$1,500,001 – HK$2,000,000	4	2
HK$2,000,001 – HK$2,500,000	1	–
HK$2,500,001 – HK$3,000,000	1	–

11. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2021	2020
	HK$'000	HK$'000
Directors' fees	900	900
Wages, salaries and other benefits	334,713	289,164
Equity settled share-based payments	4,816	788
Retirement benefit scheme contributions	15,548	13,051
	355,977	303,903

12. INCOME TAX EXPENSE

For years ended 31 December 2021 and 2020, under the two-tiered profits tax rate regime, Hong Kong Profits Tax of the qualifying group entity incorporated in Hong Kong is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. Profits of group entities incorporated in Hong Kong not qualified for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

The Group's subsidiaries in Australia are subject to domestic tax rate of 30% (2020: 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.

	2021	2020
	HK$'000	HK$'000
Current tax - Hong Kong profits tax		
Tax for the year	27,399	16,973
(Over)/under provision in prior years	(1,879)	734
	25,520	17,707
Current tax – Australia		
Tax for the year	6,334	10,902
Over provision in prior years	–	(48)
	6,334	10,854
Current tax – other overseas countries		
Tax for the year	474	19
Under provision in prior years	140	142
	614	161
Deferred tax (Note 26)		
Charged during the year	2,637	4,380
	35,105	33,102

12. INCOME TAX EXPENSE (Continued)

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

	2021	2020
	HK$'000	HK$'000
Profit before income tax	177,130	149,407
Notional tax calculated at the rates applicable to the profits in the tax jurisdictions concerned	30,784	29,967
Tax effect of non-taxable income	(5,638)	(2,092)
Tax effect of non-deductible expenses	4,038	974
Tax effect of temporary differences not recognised	2,165	2,052
Tax effect of tax losses not recognised	2,108	1,017
PRC dividend withholding tax	400	500
Others	2,992	(144)
(Over)/under provision in prior years	(1,744)	828
Income tax expense	35,105	33,102

13. DIVIDENDS AND DISTRIBUTION

	2021	2020
	HK$'000	HK$'000
Final dividend paid in respect of prior year of HK$0.05 (2020: HK$0.04) per share	38,500	30,800
Interim dividend paid in respect of current year of HK$0.03 (2020: nil) per share	23,100	–
Dividend in respect of shares held under share award scheme	(2,367)	–
Distribution in specie (Note)	–	19,731
	59,233	50,531

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%

13. DIVIDENDS AND DISTRIBUTION (Continued)

At a meeting held on 23 March 2022, the directors recommended a final dividend of HK$0.06 per ordinary share, amounting to approximately HK$46,200,000 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 2021.

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

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK$132,491,000 (2020: HK$104,323,000) and on the weighted average number of ordinary shares in issue less shares held under share award scheme that have not been vested unconditionally to the employees during the year of 740,417,090 (2020: 767,599,494).

For the year ended 31 December 2021, the calculation of diluted earnings per share is based on the profit attributable to owners of the Company of approximately HK$132,491,000 and on the following data:

	2021	2020
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	740,417,090	767,599,494
Effect of dilutive potential ordinary shares:		
– Share awards	5,063,805	855,213
	745,480,895	768,454,707

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Furniture and fixtures	Office equipment	Leasehold improvements	Computer equipment and systems	Motor vehicles	Machinery	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
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 33)	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
Year ended 31 December 2021								
Opening net book amount	14,202	407	2,734	7,228	963	2,214	182,014	209,762
Exchange differences	(618)	(12)	1	106	(33)	(17)	392	(181)
Additions	6,535	206	783	6,186	433	918	32,321	47,382
Disposals	–	(7)	–	(15)	–	(320)	(465)	(807)
Depreciation	(1,173)	(145)	(771)	(3,171)	(560)	(751)	(35,226)	(41,797)
Closing net book amount	18,946	449	2,747	10,334	803	2,044	179,036	214,359
At 31 December 2021								
Cost	27,026	5,495	10,502	71,737	17,430	6,759	480,422	619,371
Accumulated depreciation	(8,080)	(5,046)	(7,755)	(61,403)	(16,627)	(4,715)	(301,386)	(405,012)
Net book amount	18,946	449	2,747	10,334	803	2,044	179,036	214,359

As at 31 December 2021 and 2020, the Group's land and buildings represented (1) freehold land and buildings of HK$3,874,000 (2020: HK$4,861,000), which are situated in Australia; and (2) leasehold buildings of HK$15,072,000 (2020: HK$9,341,000), which are situated in Malaysia.

16. RIGHT-OF-USE ASSETS

	Leasehold land	Leased properties	Plant and equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	–	83,255	2,721	85,976
Acquired through business combinations (Note 33)	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 and 1 January 2021	5,781	88,939	1,846	96,566
Adjustments arising from sub-leases	–	(3,663)	–	(3,663)
Additions	2,562	7,894	3	10,459
Depreciation	(230)	(29,667)	(1,104)	(31,001)
Exchange adjustments	(143)	(641)	(59)	(843)
At 31 December 2021	7,970	62,862	686	71,518

As at 31 December 2021, the Group's leasehold land are situated in Malaysia with lease term expiring in 2054 - 2055.

As at 31 December 2021 and 2020, the Group leases a number of properties and production equipment for its operations. The leases run for an initial period which ranged from one to ten years (2020: one to ten years) for leased properties and ranged from two to five years (2020: three to five years) for leased plant and equipment. Lease terms are negotiated on an individual basis. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. There is no extension or termination options and residual value guarantees for these leases. There is no variable lease payments not included in lease liabilities.

17. INTANGIBLE ASSETS

	Goodwill	Customer relationship	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2020			
Cost	175,666	9,700	185,366
Amortisation and impairment	(1,294)	(8,891)	(10,185)
Net carrying amount	174,372	809	175,181
Year ended 31 December 2020			
Opening net carrying amount	174,372	809	175,181
Acquired through business combination (Note 33)	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
Year ended 31 December 2021			
Opening net carrying amount	202,441	–	202,441
Impairment for the year	(18,481)	–	(18,481)
Exchange differences	(6,035)	–	(6,035)
Closing net carrying amount	177,925	–	177,925
At 31 December 2021			
Cost	197,700	9,700	207,400
Amortisation and impairment	(19,775)	(9,700)	(29,475)
Net carrying amount	177,925	–	177,925

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

	2021	2020
	HK$'000	HK$'000
Asia Pacific Offset Limited ("APOL")	56,132	56,132
OPUS Group Limited ("OPUS")	94,052	99,296
Regent Publishing Services Limited ("Regent")	27,741	27,741
Papercraft Sdn. Bhd. ("Papercraft")*	–	19,272
	177,925	202,441

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

17. INTANGIBLE ASSETS (Continued)

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

The key assumptions used for recoverable amounts are as follows:

	Growth rate		Discount rate	
	2021	2020	2021	2020
APOL	0%	0%	11%	9%
OPUS	0%	0%	11%	9%
Regent	0%	0%	11%	11%
Papercraft CGU Group	0%	0%	13%	12%

Apart from the considerations described above in determining the recoverable amounts of the CGUs or group of CGUs, management is not aware of any other probable changes that would necessitate changes in the key assumptions. Management determines that the CGUs or group of CGUs containing goodwill do not suffer any impairment except for the Papercraft CGU Group, which suffered an impairment loss amounted to HK$18,481,000 for the year ended 31 December 2021 (2020: Nil). The Papercraft CGU Group comprises two operating entities, being COS and Papercraft, which are principally engaged in providing printing services in the Group. Papercraft CGU is engaged in manufacturing for sale of paper-based stationery products in Malaysia whilst COS CGU is engaged in printing of periodicals, books and magazines. As the carrying amount of the Papercraft CGU Group was higher than its estimated recoverable amount of HK$60,254,000 as at 31 December 2021, an impairment loss for the Papercraft CGU Group was recognised for the year ended 31 December 2021.

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

18. INTEREST IN AN ASSOCIATE/LOANS TO AN ASSOCIATE

	2021	2020
	HK$'000	HK$'000
Interest in an associate (non-current assets):		
Share of net assets other than goodwill	108,682	69,065
Goodwill	80,452	74,849
	189,134	143,914
Loans to an associate:		
Advances to an associate	132,090	54,180
Expected credit loss	(2,600)	(1,000)
	129,490	53,180
Represented by:		
Non-current assets	129,490	53,180
Current assets	–	–
	129,490	53,180

Details of the Group's associate as at 31 December 2021 are as follows:

Name	Place of incorporation, operation and principal activity	Percentage of ownership interests/ voting rights/ profit share
The Quarto Group, Inc. (the "Associate")	Incorporation in the State of Delaware, United States. Publishing operations in United States of America and United Kingdom	41.23% (2020: 36.67%)

The shares of the Associate are listed on the London Stock Exchange. In 2020, the Group acquired additional 11.29% equity interests in the Associate with a consideration of HK$66,611,000 and increased its shareholding in the Associate from 25.4% to 36.7%.

During the year, the Group further increased its shareholdings in the Associate with a total consideration of HK$17,751,000 through the open market purchases of shares of the Associate, and acquisitions of shares from a director of the Company. As at 31 December 2021, the Group held 41.23% (2020: 36.67%) equity interests in the Associate and the fair value of this investment based on quoted market price of the shares is HK$197,636,000 (2020: HK$86,827,000).

Subsequent to 31 December 2021, during the period up to 26 January 2022, the Group further increased its shareholdings in the Associate with total additional consideration of HK$19,280,000 and increased its shareholding in the Associate from 41.23% to 44.65% through the open market purchases of the shares of the Associate.

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

The Group assessed the recoverable amount of its interest in the Associate as at 31 December 2020 based on value-in-use calculations using discounted cash flow technique. These calculations used cash flow projections based on financial budgets approved by management covering a 5-year period, which were mainly based on the actual results of the associate for the current year. Cash flows beyond the 5-year period were extrapolated using the estimated growth rate of 0%. The discount rate of 8% used for the value–in-use calculations was pre-tax and reflected specific risks relating to the relevant CGU. Management determined that the Group's interest in associate did not suffer any impairment.

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

	As at 31 December 2021	As at 31 December 2020
	HK$'000	HK$'000
Current assets	777,525	635,169
Non-current assets	292,220	398,565
Current liabilities	(528,799)	(760,114)
Non-current liabilities	(277,363)	(85,289)
Net assets	263,583	188,331
Group's share of the net assets of the associate	108,682	69,065

	Year ended 31 December 2021	Year ended 31 December 2020
	HK$'000	HK$'000
Revenue	1,170,960	981,078
Profit for the year	76,734	35,344
Other comprehensive income	(3,404)	8,820
Total comprehensive income	73,330	44,164
Dividends received from an associate	–	–
Share of profit of associate	27,536	8,733

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

Loans to an associate

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 2020, the loan note was unsecured and repayable on 31 July 2021. Subsequent to year end of 2020, on 16 February 2021, the Group further extended the repayment date of the above loan to 31 August 2024 while other terms of the loan remained unchanged. As at 31 December 2020, in the opinion of the directors, loan to associate will not be repayable within one year from the reporting date and the balance is therefore classified as a non-current asset.

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

The Group measures the loss allowance for this loan at an amount equal to 12-month ECL. ECL on this balance is estimated with reference to the risk or probability that a credit loss occurs and forward looking information with reference to general macroeconomic conditions that may affect the ability of the associate to settle the loan. Accordingly, provision for ECL of HK$2,600,000 (2020: HK$1,000,000) was recognised as at 31 December 2021.

19. INVENTORIES

	2021	2020
	HK$'000	HK$'000
Raw materials	176,240	148,280
Work-in-progress	66,086	41,582
Finished goods	10,728	6,267
Less: provision for obsolescence	(12,449)	(15,459)
	240,605	180,670

During the year, the Group made a write back of provision for inventories of HK$4,545,000 (2020: HK$5,482,000) made in prior years as the related inventories were sold above their net written down value during the year. The Group also made provision for inventories of HK$1,619,000 (2020: HK$10,413,000) during the year for its slow moving inventories. These amounts are included in "direct operating costs" in profit or loss.

20. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	2021	2020
	HK$'000	HK$'000
Trade receivables	509,655	405,220
Less: Provision for impairment of trade receivables	(15,338)	(18,584)
Trade receivables – net	494,317	386,636
Deposits	16,580	18,430
Prepayments and other receivables	28,303	29,375
	539,200	434,441

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

	2021	2020
	HK$'000	HK$'000
Balance at the beginning of the year	18,584	6,981
Amount written off during the year	(156)	(497)
Impairment losses (reversed)/recognised during the year (Note 9)	(2,899)	12,521
Impairment losses recovered during the year (Note 7)	(180)	(450)
Exchange difference	(11)	29
Balance at the end of the year	15,338	18,584

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

Ageing analysis of gross carrying amounts of trade receivables as at 31 December 2021, based on the invoice date, is as follows:

	2021	2020
	HK$'000	HK$'000
0 – 30 days	178,319	120,169
31 – 60 days	132,908	98,881
61 – 90 days	59,147	56,629
91 – 120 days	47,446	40,421
121 – 150 days	30,924	25,384
Over 150 days	60,911	63,736
Total trade receivables	509,655	405,220

In general, the Group allows a credit period from 30 to 150 days (2020: 30 to 180 days) to its customers.

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

As mentioned in Note 2.9(ii), the Group applied the simplified approach to provide the expected credit losses prescribed by HKFRS 9. A reversal of HK$2,899,000 (2020: provision of HK$12,521,000) was made against the gross amounts of trade receivables during the year. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 39(a).

20. TRADE AND OTHER RECEIVABLES AND DEPOSITS (Continued)

As at 31 December 2021 and 2020, the Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables.

As at 31 December 2021, trade receivables of HK$128,997,000 (2020: HK$99,808,000) were due from the Associate.

As at 31 December 2021, there are deposits for acquisition of property, plant and equipment of HK$3,399,000 (2020: HK$14,753,000).

21. PLEDGED DEPOSIT/CASH AND CASH EQUIVALENTS

As at 31 December 2021, the Group had pledged deposits of HK$156,000 (2020: HK$161,000). The pledged deposits are pledged as securities for the banking guarantee facilities of a subsidiary.

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

As at 31 December 2021, included in cash and cash equivalents of the Group was HK$17,162,000 (2020: HK$7,835,000) of bank balances denominated in Renminbi ("RMB") placed with the banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

22. TRADE AND OTHER PAYABLES

	2021	2020
	HK$'000	HK$'000
Trade payables	117,120	99,537
Other payables and accruals	171,814	135,375
	288,934	234,912
Represented by:		
Non-current liabilities (Note (ii) below)	–	3,019
Current liabilities	288,934	231,893
	288,934	234,912

22. TRADE AND OTHER PAYABLES (Continued)

As at 31 December 2021, ageing analysis of trade payables based on invoice date is as follows:

	2021	2020
	HK$'000	HK$'000
0 – 30 days	64,335	67,918
31 – 60 days	36,243	23,704
61 – 90 days	12,780	7,473
91 – 120 days	2,892	74
Over 120 days	870	368
	117,120	99,537

Credit terms granted by the suppliers are generally 0 to 90 days (2020: 0 to 90 days). All amounts are short term and hence the carrying values of trade and other payables are considered to be a reasonable approximation to their fair values.

Breakdown of other payables and accruals:

	2021	2020
	HK$'000	HK$'000
Staff costs and commission payables	29,458	22,990
Volume rebate payables	42,369	30,676
Severance payment provision	36,839	29,129
Contract liabilities (Note (i))	24,152	14,331
Accrued charges	8,697	7,248
Payables for the acquisition of a subsidiary (Note (ii))	3,019	6,038
Others	27,280	24,963
	171,814	135,375

22. TRADE AND OTHER PAYABLES (Continued)

Note:

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

Movements in contract liabilities

	2021	2020
	HK$'000	HK$'000
At 1 January	14,331	10,681
Amount recognised as revenue during the year	(13,825)	(10,681)
Amount received in advance from customers during the year	23,646	14,331
At 31 December	24,152	14,331

(ii) As set out in Note 33, the balance represented consideration payable for the acquisition of Papercraft. As an amount of HK$3,019,000 is repayable in February 2022, the balance was classified under non-current liability as at 31 December 2020.

23. BANK BORROWINGS

	2021	2020
	HK$'000	HK$'000
Current portion		
– Bank loans due for repayment within one year	108,464	120,392
– Bank loans due for repayment after one year which contain a repayment on demand clause	153,503	71,058
Total bank borrowings	261,967	191,450

As at 31 December 2021 and 2020, all bank borrowings are supported by the corporate guarantees by the Company and interest bearing at floating rates. The ranges of interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2021	2020
Variable-rate borrowings	HIBOR+1.8 to 2.0%	HIBOR+1.8 to 2.25%

No interest was capitalised for the years ended 31 December 2021 and 2020.

23. BANK BORROWINGS (Continued)

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:

	2021	2020
	HK$'000	HK$'000
Within one year	108,464	120,392
In the second year	101,989	38,766
In the third to fifth year	51,514	32,292
Wholly repayable within five years	261,967	191,450

Effective interest rates of bank borrowings range from 1.86% to 2.20% (2020: from 2.11% to 4.78%) per annum for the year.

24. LEASES

The Group as a lessee

	2021	2020
	HK$'000	HK$'000
Balance as at 1 January	98,884	97,252
Additions	7,897	25,565
Termination	–	(223)
Interest expense	3,731	4,304
Lease payments	(36,129)	(34,940)
Exchange adjustments	(654)	6,926
Balance as at 31 December	73,729	98,884
Represented by:		
Current liabilities	29,908	31,448
Non-current liabilities	43,821	67,436
	73,729	98,884

24. LEASES (Continued)

The Group as a lessee (Continued)

Future lease payments are due as follows:

	Minimum lease payments	Interest	Present value
	HK$'000	HK$'000	HK$'000
As at 31 December 2021			
Due within one year	32,335	2,427	29,908
Due in the second to fifth years	46,313	2,492	43,821
	78,648	4,919	73,729
As at 31 December 2020			
Due within one year	35,025	3,577	31,448
Due in the second to fifth years	72,337	4,901	67,436
	107,362	8,478	98,884

As at 31 December 2020, the Group has elected to apply the practical expedient introduced by the amendment to HKFRS 16 to all rent concessions that satisfied the criteria. All rent concessions entered into during the year ended 31 December 2020 satisfied the criteria to apply the practical expedient. The application of the practical expedient has resulted in the reduction of total lease payments of HK$951,000 in the year ended 31 December 2020. The effect of this reduction has been recorded in profit or loss in the period in which the event or condition that triggered those payments occurred.

The Group as a lessor

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

	2021	2020
	HK$'000	HK$'000
Balance as at 1 January	507	4,779
Addition	3,663	–
Lease modification	–	(2,794)
Interest income	(64)	(41)
Lease receipts	(1,266)	(1,437)
Balance as at 31 December	2,840	507
Represented by:		
Current	1,142	507
Non-current	1,698	–
	2,840	507
Total cash inflow for sub-leases	1,330	1,538

24. LEASES (Continued)

The Group as a lessor (Continued)

Future lease receipts are due as follows:

	Minimum lease receipts	Interest	Present value
	HK$'000	HK$'000	HK$'000
As at 31 December 2021			
Due within one year	1,190	48	1,142
Due in the second to fifth years	1,726	28	1,698
	2,916	76	2,840
As at 31 December 2020			
Due within one year	512	5	507

25. 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 as described in Note 4.

26. DEFERRED TAX ASSETS/LIABILITIES

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

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

	Accelerated tax depreciation		Fair value arising from acquisition of subsidiary		Impairment of trade receivables		Write-down of inventories		Provisions and accruals and others		PRC dividend withholding tax		Customers relationship		Capital raising cost		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January	(3,254)	1,981	(2,639)	–	575	277	2,068	1,454	14,801	11,842	(3,000)	(2,500)	–	(133)	4,670	6,113	13,221	19,034
Acquired through business combination (Note 33)	–	–	–	(2,639)	–	–	–	–	–	(353)	–	–	–	–	–	–	–	(2,992)
(Charged)/credited to profit or loss for the current year (Note 12)	(585)	(5,442)	–	–	(135)	297	(1,294)	538	1,945	2,419	(400)	(500)	–	133	(2,168)	(1,825)	(2,637)	(4,380)
Exchange differences	(86)	207	108	–	(1)	1	18	76	(42)	893	–	–	–	–	(291)	382	(294)	1,559
At 31 December	(3,925)	(3,254)	(2,531)	(2,639)	439	575	792	2,068	16,704	14,801	(3,400)	(3,000)	–	–	2,211	4,670	10,290	13,221

26. DEFERRED TAX ASSETS/LIABILITIES (Continued)

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

	2021	2020
	HK$'000	HK$'000
Deferred tax assets	23,200	25,795
Deferred tax liabilities	(12,910)	(12,574)
	10,290	13,221

Pursuant to the PRC Corporate Income Tax Law, 10% withholding tax is levied on dividends declared to foreign investment enterprises established in the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The applicable rate to the Group is 5%. The Group is liable to withholding taxes on dividends distributed by the subsidiary established in the PRC in respect of earnings generated from 1 January 2008. As at 31 December 2021 and 2020, deferred tax liabilities HK$3,400,000 and HK$3,000,000 have been recognised in respect of the tax that would be payable on the distribution of the retained profits of the Group's subsidiary established in the PRC.

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

	2021	2020
	HK$'000	HK$'000
Unutilised tax losses	40,228	30,916

As at 31 December 2021 and 2020, deferred tax asset in respect of unused tax losses amounting to HK$8,597,000 and HK$6,489,000 in aggregate has not been recognised in the consolidated financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. All tax losses had no expiry dates under the current tax legislation. There were no other significant temporary differences not recognised as deferred tax assets as at 31 December 2021 and 2020.

27. PROVISIONS

	2021	2020
	HK$'000	HK$'000
Current portion:		
Employee benefit liabilities for annual leave and time in lieu	10,107	9,141
Employee benefit liabilities for long service leave	12,842	12,844
Leasehold dilapidations	2,559	–
Total current portion	25,508	21,985
Non-current portion:		
Employee benefit liabilities for long service leave	1,504	1,750
Leasehold dilapidations	–	2,648
Total non-current portion	1,504	4,398
	27,012	26,383

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

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

28. SHARE CAPITAL

	2021 Number of shares	2021 Amount	2020 Number of shares	2020 Amount
		HK$'000		HK$'000
Ordinary shares of HK$0.01 each				
At 1 January	1,500,000,000	15,000	1,000,000,000	10,000
Increase authorised share capital during the year	–	–	500,000,000	5,000
At 31 December	1,500,000,000	15,000	1,500,000,000	15,000
Issued and fully paid:				
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	770,000,000	7,700	770,000,000	7,700

29. SHARE-BASED EMPLOYEE COMPENSATION

Share option scheme of the Company

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

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

The share-based employee compensation is to be settled by the issue of the ordinary shares of the Company. The Group has no legal or constructive obligation to repurchase or settle the options other than in the ordinary shares of the Company. During the year, there was no share option issued under the Share Option Scheme (2020: Nil) and as at 31 December 2021, there was no outstanding share options issued under the scheme (2020: Nil).

At 31 December 2021, the Company had 70,000,000 (2020: 70,000,000) share options available for issue under the Share Option Scheme, which represented approximately 9.1% (2020: 9.1%) of the Company's shares in issue at that date.

29. SHARE-BASED EMPLOYEE COMPENSATION (Continued)

Share award scheme of the Company

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

During the year ended 31 December 2021, equity-settled share-based payment expenses of HK$4,816,000 (2020: HK$788,000) were recognised in profit or loss and the details are as follows:

	Awarded sum 2021	Number of shares 2021	Awarded sum 2020	Number of shares 2020
	HK$'000		HK$'000	
Outstanding at the beginning of the year	19,773	28,920,000	–	–
Granted during the year	–	–	19,773	28,920,000
Lapsed during the year	(776)	(1,124,000)	–	–
Outstanding at the end of the year	18,997	27,796,000	19,773	28,920,000

29. SHARE-BASED EMPLOYEE COMPENSATION (Continued)

Share award scheme of the Company (Continued)

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

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

During 2020, the Group purchased 29,580,000 shares under the Share Award Scheme. As a result, an amount of HK$21,613,000 has been debited to share award scheme reserve and deducted from total equity directly.

30. RESERVES

Group

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

(a) *Share premium*

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

(b) *Exchange reserve*

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

(c) *Merger reserve*

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

(d) *Contributed surplus*

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

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

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

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

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

(e) *Other reserve*

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

30. RESERVES (Continued)

Group (Continued)

(f) Statutory reserve

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

(g) Put option reserve

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

(h) Employee compensation reserve

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

(i) Share award scheme reserve

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

30. RESERVES (Continued)

Company

Movements of the Company's reserves are as follows:

	Share premium	Contributed surplus	Proposed final dividend	Employee compensation reserve	Shares award scheme reserve	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1 January 2020	173,078	310,125	30,800	–	(5)	81,747	595,745
Recognition of equity-settled share-based payment expenses	–	–	–	788	–	–	788
Purchase of shares under share award scheme	–	–	–	–	(21,613)	–	(21,613)
Profit for the year	–	–	–	–	–	19,946	19,946
2019 final dividend paid	–	–	(30,800)	–	–	–	(30,800)
Distribution in Specie	–	–	–	–	–	(19,731)	(19,731)
2020 proposed final dividend	–	–	38,500	–	–	(38,500)	–
Balance as at 31 December 2020 and 1 January 2021	173,078	310,125	38,500	788	(21,618)	43,462	544,335
Recognition of equity-settled share-based payment expenses	–	–	–	4,816	–	–	4,816
Shares award lapsed under share award scheme	–	–	–	(248)	–	248	–
Profit for the year	–	–	–	–	–	45,074	45,074
Dividend income in relation to share award	–	–	–	–	–	2,367	2,367
2020 final dividend paid	–	–	(38,500)	–	–	–	(38,500)
2021 Interim dividend paid	–	–	–	–	–	(23,100)	(23,100)
2021 proposed final dividend	–	–	46,200	–	–	(46,200)	–
Balance as at 31 December 2021	173,078	310,125	46,200	5,356	(21,618)	21,851	534,992

31. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2021	2020
		HK$'000	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries		314,876	314,876
Current assets			
Other receivables		3,479	1,119
Amounts due from subsidiaries		224,606	288,857
Tax recoverable		–	9
Cash and bank balances		92	255
		228,177	290,240
Current liabilities			
Other payables		324	274
Amounts due to subsidiaries		33	52,807
Tax payables		4	–
		361	53,081
Net current assets		227,816	237,159
Net assets		542,692	552,035
EQUITY			
Share capital	28	7,700	7,700
Reserves	30	534,992	544,335
Total equity		542,692	552,035

On behalf of the directors

Yeung Ka Sing
Director

Lau Chuk Kin
Director

32. CAPITAL COMMITMENTS

	2021	2020
	HK$'000	HK$'000
Commitments for acquisition of property, plant and equipment	2,092	12,820

33. BUSINESS ACQUISITION

On 11 February 2020, Anson Worldwide Limited, a 93% indirectly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party to acquire entire equity interest in Papercraft, a company incorporated in Malaysia with the consideration of HK$42.8 million. 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$2,929,000 and HK$36,801,000 was paid during 2021 and 2020 whilst the remaining considerations of HK$3,019,000 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 (Note 22)	6,038
	42,839
Goodwill (Note 17)	19,074
Net cash outflow arising on acquisition:	
Cash consideration	36,801
Less: Cash and cash equivalents acquired	(6)
	36,795

Goodwill of HK$19,074,000, which is not tax deductible, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

33. BUSINESS ACQUISITION (Continued)

Since the acquisition date, Papercraft has contributed HK$3,778,000 and HK$5,605,000 to the Group's revenue and loss during 2020. If the Acquisition had occurred on 1 January 2020, the Group's revenue and profit after income tax would have been HK$1,374,796,000 and HK$110,685,000 respectively for the year ended 31 December 2020. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future performance.

The acquisition-related costs of HK$219,000 have been expensed and are included in administrative expenses.

34. NON-CONTROLLING INTERESTS

(a) Material non-controlling interests

As at 31 December 2021, the subsidiaries of the Group which have material non-controlling interests included (1) Left Field Printing Group Limited, a 59.44% (2020: 59.44%) owned subsidiary of the Company, and its subsidiaries (the "Left Field Group") and (2) Regent, a 75% (2020: 75%) owned subsidiary of the Company. The NCI of other subsidiaries that are not 100% owned by the Group are considered to be immaterial. Summarised financial information in relation to non-controlling interests of the Left Field Group and Regent, before intra-group eliminations, is presented below:

	Left Field Group		Regent	
	2021	**2020**	**2021**	**2020**
	HK$'000	HK$'000	HK$'000	HK$'000
Proportion of ownership interests and voting rights held by non-controlling interests	40.56%	40.56%	25%	25%
For the year ended 31 December				
Revenue	387,267	329,947	132,792	114,112
Profit for the year	18,351	28,058	16,718	4,926
Total comprehensive income	3,002	51,181	16,718	4,926
Profit allocated to non-controlling interests	7,443	11,112	4,180	1,232
Dividends paid to non-controlling interests	10,114	8,119	5,000	2,500
For the year ended 31 December				
Cash generated from operating activities	44,926	31,936	32,259	8,801
Cash (used in)/generated in investing activities	(2,404)	1,010	3	160
Cash used in financing activities	(37,987)	(40,732)	(21,712)	(11,591)
Net cash inflows/(outflows)	4,535	(7,786)	10,550	(2,630)
At 31 December				
Current assets	290,772	303,963	62,061	52,139
Non-current assets	69,545	90,745	1,329	2,669
Current liabilities	(64,764)	(67,150)	(39,197)	(26,601)
Non-current liabilities	(22,433)	(32,506)	–	(732)
Net assets	273,120	295,052	24,193	27,475
Accumulated non-controlling interests	110,785	119,681	6,048	6,869

34. NON-CONTROLLING INTERESTS (Continued)

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

(i) As mentioned in Note 13 to the financial statements, 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 August 2020, Left Field repurchased and cancelled its 8,238,000 ordinary shares 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

34. NON-CONTROLLING INTERESTS (CONTINUED)

(c) 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%.

35. FINANCIAL LIABILITIES ARISING FROM PUT OPTION

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

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

Put Option

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

	2021	2020
	HK$'000	HK$'000
At 1 January	15,367	14,977
Imputed interest (Note 8)	97	390
Expired during the year	(15,464)	–
At 31 December	–	15,367
Represented by:		
Current liabilities	–	15,367
Non-current liabilities	–	–
	–	15,367

36. RELATED PARTY TRANSACTIONS AND BALANCES

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

During the year, the Group derived printing income of HK$185,199,000 (2020: HK$102,509,000) from the Associate (Note 18). As at 31 December 2021, trade receivables of HK$128,997,000 (2020: HK$99,808,000) were due from the Associate Group (Note 20). Details of interests in associate and loans to the Associate Group (with impairment assessment under the ECL) are set out in Note 18. During the year, the Group also earned interest income of HK$4,579,000 (2020: HK$1,900,000) from the Associate.

During the year, the Group acquired 1,679,743 shares (2020: 1,679,743) of the Associate from Mr. Lau Chuk Kin, an executive director of the Company at a consideration of HK$16,025,000 (2020: HK$9,246,000).

Compensation of key management personnel

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

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of company	Date of incorporation/ establishment	Place/Country of incorporation/establishment and kind of legal entity	Class of shares	Issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company^	Principal activities and place of operations
1010 Group Limited	10 January 2005	Hong Kong, limited liability company	Ordinary	HK$177,000,000	100%	Investment holding, Hong Kong
1010 Printing International Limited 匯星印刷國際有限公司	10 January 2005	Hong Kong, limited liability company	Ordinary	HK$1	100%	Printing, Hong Kong
1010 Printing Asia Limited	3 April 2007	Hong Kong, limited liability company	Ordinary	HK$1	100%	Printing, Hong Kong
1010 Printing (UK) Limited	2 January 2007	United Kingdom, limited liability company	Ordinary	British Pound 1,000	100%	Printing services, United Kingdom
Anson Worldwide Limited	8 November 2002	British Virgin Islands ("BVI"), limited liability company	Ordinary	United States Dollars ("US$")10,000	93% (2020: 93%)	Investment holding, Hong Kong
1010 Printing Limited 匯星印刷有限公司	5 February 2010	Hong Kong, limited liability company	Ordinary	HK$1,000,000	100%	Printing, Hong Kong
Naturbest Investments Limited	15 August 2006	BVI, limited liability company	Ordinary	US$1	100%	Investment holding, Hong Kong
O. G. Printing Productions Limited 海濤製作有限公司	11 August 1989	Hong Kong, limited liability company	Ordinary	HK$500,000	100%	Provision of graphic design, Hong Kong
Oceanic Graphic International Inc.	12 August 2011	USA, limited liability company	Ordinary	US$100,000	100%	Printing, USA
惠州市滙星印刷有限公司	28 January 2011	PRC, sino-foreign equity enterprise	N/A	RMB150,000,000 (registered capital)	100%	Production and distribution of books and publications, PRC
Investor Vantage Limited	12 November 2012	BVI, limited liability company	Ordinary	US$1	100%	Investment holding, Hong Kong
Asia Pacific Offset Limited	15 December 1978	Hong Kong, limited liability company	Ordinary	HK$3,273,369	100%	Provision of printing services, Hong Kong
OPUS Group Pty. Ltd. (Formerly known as OPUS Group Limited^^^)	7 June 1983	Australia, limited liability company	Ordinary	AUD$26,234,000	59.44%	Investment holding, Australia
CanPrint Communications Pty Limited^^^	4 September 1997	Australia, limited liability company	Ordinary	AUD$17,333	59.44%	Production and distribution of published content, Australia
Ligare Pty Ltd^^^	17 September 1979	Australia, limited liability company	Ordinary	AUD$4	59.44%	Production and distribution of published content, Australia
McPherson's Printing Pty. Ltd. ^^^	1 November 1971	Australia, limited liability company	Ordinary	AUD$10,000	59.44%	Production and distribution of published content, Australia
C. O.S. Printers Pte Limited	19 July 1980	Singapore, limited liability company	Ordinary	Singapore Dollars 6,000,000	100%	Production and distribution of published content, Singapore
Asia Pacific Offset Group Limited	2 July 2008	Hong Kong, limited liability company	Ordinary	HK$1,000	100%	Provision of printing services, Hong Kong
Bookbuilders BVI Limited	25 May 1993	BVI, limited liability company	Ordinary	US$10,000	100%	Investment holding, Hong Kong
Regent Publishing Services Limited 麗晶出版社有限公司	23 October 1985	Hong Kong, limited liability company	Ordinary	HK$10,000	75%	Provision of printing services, Hong Kong
Left Field Printing Group Limited ^^ 濠獅環球集團有限公司	18 April 2018	Bermuda, limited liability company	Ordinary	HK$5,069,000	59.44%	Investment holding, Hong Kong
Papercraft Sdn. Bhd.	15 April 1993	Malaysia, limited liability company	Ordinary	MYR5,000,000	93%	Provision of printing services, Malaysia

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

^ Except 1010 Group Limited, all subsidiaries are indirectly held by the Company.

^^ Left Field Printing Group Limited is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

^^^ Subsidiaries of Left Field Printing Group Limited

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

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

38. NOTES SUPPORTING STATEMENT OF CASH FLOWS

During the year, the Group entered into new leases and recognised addition of right-of-use assets for leased properties and plant and equipment of HK$7,897,000 (2020: HK$25,565,000) and lease liabilities of HK$7,897,000 (2020: HK$25,565,000).

Reconciliation of liabilities arising from financial activities:

	Bank borrowings (Note 23)		Lease liabilities (Note 24)	
	2021	2020	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January	191,450	214,775	98,884	97,252
Changes from cash flows:				
New bank borrowings	240,000	158,525	–	–
Repayments of bank borrowings	(169,483)	(181,850)	–	–
Interest paid	(4,696)	(7,258)	–	–
Principle portion of the lease liabilities paid	–	–	(32,398)	(30,636)
Interest portion of the lease liabilities paid	–	–	(3,731)	(4,304)
Total changes from financing cash flows	65,821	(30,583)	(36,129)	(34,940)
Other changes:				
Additions of lease liabilities	–	–	7,897	25,565
Termination of lease liabilities	–	–	–	(223)
Exchange difference	–	–	(654)	6,926
Interest expenses	4,696	7,258	3,731	4,304
At 31 December	261,967	191,450	73,729	98,884

39. FINANCIAL RISK MANAGEMENT

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

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

(a) Credit risk

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

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

The directors consider the Group does not have a significant concentration of credit risk. The top 5 customers accounted for approximately 30% (2020: 23%) of total revenue during the year ended 31 December 2021. In this regard, the Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

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

39. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

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

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

As at 31 December 2021 and 2020, the Group recognised lifetime ECL for its trade receivables based on individually significant customer or the ageing of customers collectively that are not individually significant as follows:

	Weighted average lifetime ECL (%)	Gross carrying amount (HK$'000)	Loss allowance (HK$'000)
As at 31 December 2021			
Current (not past due)	0.42	414,610	(1,735)
1-30 days past due	1.13	65,323	(740)
31-90 days past due	2.18	16,495	(359)
More than 90 days past due	9.16	795	(73)
Individual assessment	100	12,432	(12,432)
		509,655	(15,339)
As at 31 December 2020			
Current (not past due)	0.14	306,672	(438)
1-30 days past due	0.25	43,009	(109)
31-90 days past due	0.54	20,478	(110)
More than 90 days past due	15.78	20,345	(3,211)
Individual assessment	100	14,716	(14,716)
		405,220	(18,584)

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) Currency risk

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

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

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

Foreign currencies denominated financial assets and liabilities are as follows:

2021

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

2020

	US$'000	RMB'000	AUD'000	GBP'000	EUR'000
Trade and other receivables	33,995	24	2,935	175	302
Cash and bank balances	25,783	1,493	118	217	1,820
Trade and other payables	(3,511)	(135)	(134)	(18)	(21)
	56,267	1,382	2,919	374	2,101
Notional amounts of forward foreign exchange contracts	(1,500)	6,528	–	–	–
	54,767	7,910	2,919	374	2,101

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) Currency risk (Continued)

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

	2021		2020	
	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained earnings	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained earnings
		HK$'000		HK$'000
RMB	2.5%	207	7.1%	674
	(2.5%)	(207)	(7.1%)	(674)
AUD	5.3%	1,443	9.7%	1,662
	(5.3%)	(1,443)	(9.7%)	(1,662)
GBP	0.3%	52	3.0%	117
	(0.3%)	(52)	(3.0%)	(117)
EUR	7.3%	946	8.7%	1,718
	(7.3%)	(946)	(8.7%)	(1,718)

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

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

(c) Interest rate risk

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

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

39. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements, its compliance with lending covenants and its relationships with its bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term. The Group has net current assets of HK$595,051,000 (2020: HK$617,732,000) and net assets of HK$1,347,539,000 (2020: HK$1,276,716,000) as at 31 December 2021. In the opinion of the directors, the Group's exposure to liquidity risk is limited.

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

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

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 5 years	Over 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2021					
Non-derivative financial liabilities					
Trade and other payables	288,934	288,934	288,934	–	–
Financial liabilities arising from put option	–	–	–	–	–
Bank borrowings	261,967	261,967	261,967	–	–
Lease liabilities	73,729	78,648	32,335	46,313	–
	624,630	629,549	583,236	46,313	–
As at 31 December 2020					
Non-derivative financial liabilities					
Trade and other payables	234,912	234,912	231,893	3,019	–
Financial liabilities arising from put option	15,367	15,464	15,464	–	–
Bank borrowings	191,450	191,450	191,450	–	–
Lease liabilities	98,884	107,362	35,025	72,337	–
	540,613	549,188	473,832	75,356	–

39. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk (Continued)

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

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000
Term loans subject to repayment on demand clause based on scheduled repayments:				
31 December 2021	261,967	269,096	112,860	156,236
31 December 2020	191,450	196,173	123,666	72,507

(e) Fair values

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

40. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Non-current assets				
Financial assets measured at amortised cost:				
– Lease receivables	1,698	1,698	–	–
– Loan to an associate	129,490	129,490	53,180	53,180
Current assets				
Financial assets at fair value through profit or loss				
– Held for trading	37	37	45	45
Financial assets measured at amortised cost:				
– Trade and other receivables and deposits	529,387	529,387	424,935	424,935
– Loans to an associate	–	–	–	–
– Lease receivables	1,142	1,142	507	507
– Pledged deposit	156	156	161	161
– Cash and bank balances	431,920	431,920	502,291	502,291
	1,093,830	1,093,830	981,119	981,119
Financial liabilities				
Current liabilities				
Financial liabilities measured at amortised cost:				
– Trade and other payables	288,934	288,934	231,893	231,893
– Bank borrowings	261,697	261,697	191,450	191,450
– Lease liabilities	29,908	29,908	31,448	31,448
– Financial liabilities arising from put option	–	–	15,367	15,367
Non-current liabilities				
Financial liabilities measured at amortised cost:				
– Other payables	–	–	3,019	3,019
– Lease liabilities	43,821	43,821	67,436	67,436
	624,360	624,360	540,613	540,613

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

(a) Financial instruments not measured at fair value

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

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

(b) Financial instruments measured at fair value

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

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

Information about level 2 fair value measurements

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

There were no changes in valuation techniques during the year.

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

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

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

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

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

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

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

	2020			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	–	45	–	45
Net fair values	–	45	–	45

There were no transfers between levels during the year.

41. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's objectives when managing capital are:

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

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

Management regards total equity as capital, for capital management purpose. The amount of capital as at 31 December 2021 amounted to approximately HK$1,347,539,000 (2020: HK$1,276,716,000), which management considers as satisfactory having considered the projected capital expenditures and the projected strategic investment opportunities.

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

FINANCIAL SUMMARY

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

FINANCIAL RESULTS

	Financial year ended 31 December				
	2017	2018	2019	2020	2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue and turnover	1,582,725	1,665,369	1,606,969	1,373,471	1,737,616
Profit before income tax	198,520	214,216	192,540	149,407	177,130
Income tax expense	(39,072)	(29,972)	(38,739)	(33,102)	(35,105)
Profit for the year	159,448	184,244	153,801	116,305	142,025
Attributable to:					
Owners of the Company	147,668	169,395	138,801	104,323	132,491
Non-controlling interests	11,780	14,849	15,000	11,982	9,534
Profit for the year	159,448	184,244	153,801	116,305	142,025

	As at 31 December				
	2017	2018	2019	2020	2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	1,434,838	1,739,446	1,758,485	1,866,113	2,028,000
Total liabilities	(386,016)	(577,378)	(581,555)	(589,397)	(680,461)
Total equity	1,048,822	1,162,068	1,176,930	1,276,716	1,347,539

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. Li Hoi, David
Mr. Guo Junsheng

Independent Non-Executive Directors

Mr. Yeung Ka Sing *(Chairman)*
Prof. Lee Hau Leung
Dr. Ng Lai Man, Carmen

COMPANY SECRETARY

Ms. Tan Lai Ming *FCPA, FCCA*

COMPLIANCE OFFICER

Mr. Lau Chuk Kin

AUTHORISED REPRESENTATIVES

Ms. Lam Mei Lan
Ms. Tan Lai Ming

BERMUDA RESIDENT REPRESENTATIVE

Conyers Corporate Services (Bermuda) Limited

AUDIT COMMITTEE

Dr. Ng Lai Man, Carmen *(Chairman)*
Mr. Yeung Ka Sing
Prof. Lee Hau Leung

NOMINATION COMMITTEE

Mr. Yeung Ka Sing *(Chairman)*
Mr. Lau Chuk Kin
Prof. Lee Hau Leung
Dr. Ng Lai Man, Carmen

REMUNERATION COMMITTEE

Mr. Yeung Ka Sing *(Chairman)*
Mr. Lau Chuk Kin
Prof. Lee Hau Leung
Dr. Ng Lai Man, Carmen

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISER

LF Legal
Suite 2004
20/F, Bonham Strand Trade Centre
No. 135 Bonham Strand
Sheung Wan
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
No. 1 Queen's Road Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
Standard Chartered Bank Building
4–4A Des Voeux Road Central
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

Principal Registrar

MUFG Fund Services (Bermuda) Limited
4th Floor North Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

Hong Kong Branch Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712 – 1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

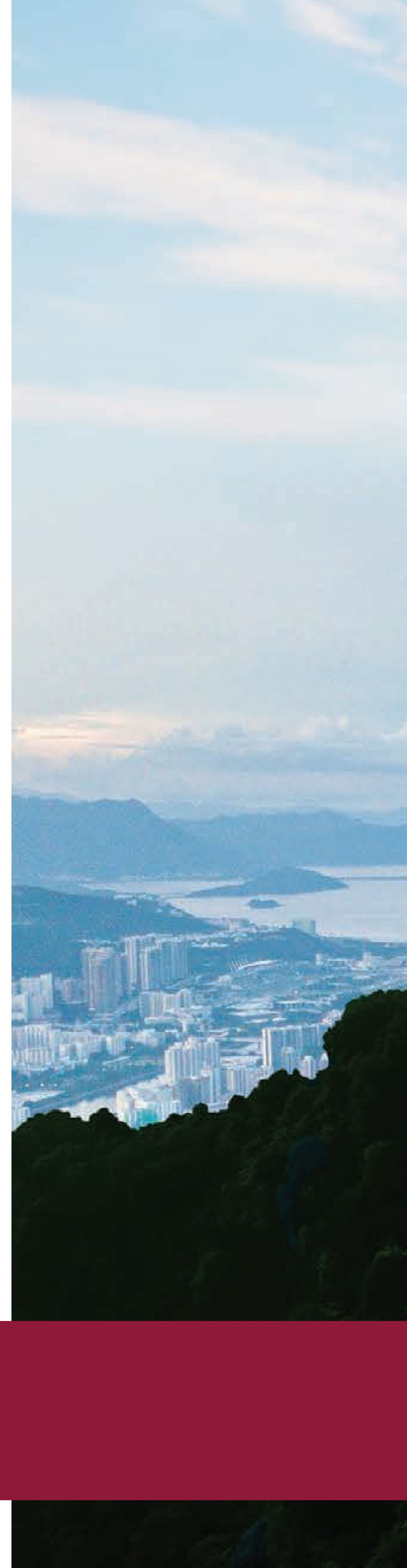
Level 11 East Wing, NEO
123 Hoi Bun Road
Kwun Tong
Kowloon
Hong Kong

WEBSITE

www.lionrockgrouphk.com

STOCK CODE

1127



LION ROCK GROUP

www.lionrockgroupHK.com