LION ROCK GROUP LIMITED
獅子山集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 1127)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

AUDITED RESULTS

The board of directors (the "Board") of Lion Rock Group Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	3	2,562,781	2,496,089
Direct operating costs		(1,723,560)	(1,664,664)
Gross profit		839,221	831,425
Other income	5	66,949	110,670
Selling and distribution costs		(350,128)	(346,275)
Administrative expenses		(211,955)	(180,118)
Impairment loss of property, plant and equipment	11	-	(23,742)
Impairment loss of right-of-use assets	12	-	(4,739)
Provision for impairment of trade receivables and other receivables, net		(6,534)	(30,713)
Reversal of impairment of loans to an associate		-	2,600
Share of profit of an associate		-	6,503
Finance costs	6	(36,402)	(18,093)
Profit before income tax	7	301,151	347,518
Income tax expense	8	(60,429)	(61,709)
Profit for the year		240,722	285,809

* *For identification purpose only*

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2023 (Continued)

	Notes	2023 HK$'000	2022 HK$'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		3,070	(39,377)
Share of other comprehensive income of an associate		-	(2,878)
Release upon step acquisition of a subsidiary		-	5,929
Other comprehensive income for the year, net of tax		3,070	(36,326)
Total comprehensive income for the year		243,792	249,483
Profit for the year attributable to:			
Owners of the Company		185,248	219,911
Non-controlling interests		55,474	65,898
		240,722	285,809
Total comprehensive income attributable to:			
Owners of the Company		185,835	192,005
Non-controlling interests		57,957	57,478
		243,792	249,483
Earnings per share for profit attributable to owners of the Company during the year	10		
Basic		HK24.97 cents	HK29.70 cents
Diluted		HK24.64 cents	HK29.34 cents

Consolidated Statement of Financial Position
As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	255,912	224,642
Deposits for acquisition of property, plant and equipment		15,925	24,026
Right-of-use assets	12	142,501	103,216
Intangible assets	13	516,534	521,980
Lease receivables		-	533
Deferred tax assets		44,714	42,102
		975,586	916,499
Current assets			
Inventories	14	430,510	436,355
Trade and other receivables and deposits	15	702,868	671,007
Lease receivables		-	1,165
Financial assets at fair value through profit or loss	16	238	11
Tax recoverable		-	2,415
Pledged deposits		141	147
Cash and cash equivalents		780,094	770,217
		1,913,851	1,881,317
Current liabilities			
Trade and other payables	17	486,920	478,954
Bank borrowings	18	330,029	428,352
Lease liabilities	19	36,179	36,390
Provisions		29,406	31,755
Provision for taxation		39,863	36,570
		922,397	1,012,021
Net current assets		991,454	869,296
Total assets less current liabilities		1,967,040	1,785,795
Non-current liabilities			
Bank borrowings	18	-	10,135
Provisions		3,487	2,713
Lease liabilities	19	119,534	77,089
Deferred tax liabilities		43,502	40,897
		166,523	130,834
Net assets		1,800,517	1,654,961
EQUITY			
Share capital		7,700	7,700
Reserves		1,444,707	1,350,268
Equity attributable to owners of the Company		1,452,407	1,357,968
Non-controlling interests		348,110	296,993
Total equity		1,800,517	1,654,961

Consolidated Statement of Changes in Equity
For the year ended 31 December 2023

	Attributable to owners of the Company												Non-controlling interests	Total equity
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Merger reserve HK$'000	Contributed surplus HK$'000	Statutory reserve HK$'000	Other reserve HK$'000	Employee compensation reserve HK$'000	Share award scheme reserve HK$'000	Proposed dividend HK$'000	Retained earnings HK$'000	Total HK$'000	HK$'000	HK$'000
Balance as at 1 January 2023	7,700	173,078	(83,092)	(136,875)	310,125	737	(5,101)	10,157	(21,618)	77,000	1,025,857	1,357,968	296,993	1,654,961
2022 final and special dividends paid (Note 9)	-	-	-	-	-	-	-	-	-	(77,000)	-	(77,000)	-	(77,000)
2023 interim dividend paid (Note 9)	-	-	-	-	-	-	-	-	-	-	(23,100)	(23,100)	-	(23,100)
Dividend in relation to share award	-	-	-	-	-	-	-	-	-	-	3,846	3,846	-	3,846
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(6,750)	(6,750)
Recognition of equity-settled share-based expenses	-	-	-	-	-	-	-	4,885	-	-	-	4,885	-	4,885
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	(27)	-	-	-	-	(27)	(90)	(117)
Shares vested under share award scheme	-	-	-	-	-	-	-	(6,149)	6,562	-	(413)	-	-	-
Transactions with owners	-	-	-	-	-	-	(27)	(1,264)	6,562	(77,000)	(19,667)	(91,396)	(6,840)	(98,236)
Profit for the year	-	-	-	-	-	-	-	-	-	-	185,248	185,248	55,474	240,722
Other comprehensive income														
Currency translation	-	-	587	-	-	-	-	-	-	-	-	587	2,483	3,070
Total comprehensive income for the year	-	-	587	-	-	-	-	-	-	-	185,248	185,835	57,957	243,792
2023 proposed final dividend (Note 9)	-	-	-	-	-	-	-	-	-	61,600	(61,600)	-	-	-
Balance at 31 December 2023	7,700	173,078	(82,505)	(136,875)	310,125	737	(5,128)	8,893	(15,056)	61,600	1,129,838	1,452,407	348,110	1,800,517

Consolidated Statement of Changes in Equity
For the year ended 31 December 2023 (Continued)

	Attributable to owners of the Company												Non-controlling interests	Total equity
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Merger reserve HK$'000	Contributed surplus HK$'000	Statutory reserve HK$'000	Other reserve HK$'000	Employee compensation reserve HK$'000	Share award scheme reserve HK$'000	Proposed dividend HK$'000	Retained earnings HK$'000	Total HK$'000	HK$'000	HK$'000
Balance as at 1 January 2022	7,700	173,078	(55,186)	(136,875)	310,125	737	(1,738)	5,356	(21,618)	46,200	903,384	1,231,163	116,376	1,347,539
2021 final dividend paid (Note 9)	-	-	-	-	-	-	-	-	-	(46,200)	-	(46,200)	-	(46,200)
2022 interim dividend paid (Note 9)	-	-	-	-	-	-	-	-	-	-	(23,100)	(23,100)	-	(23,100)
Dividend in relation to share award	-	-	-	-	-	-	-	-	-	-	2,662	2,662	-	2,662
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(12,068)	(12,068)
Recognition of equity-settled share-based expenses	-	-	-	-	-	-	-	4,801	-	-	-	4,801	-	4,801
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	(3,363)	-	-	-	-	(3,363)	(3,652)	(7,015)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	138,859	138,859
Transactions with owners	-	-	-	-	-	-	(3,363)	4,801	-	(46,200)	(20,438)	(65,200)	123,139	57,939
Profit for the year	-	-	-	-	-	-	-	-	-	-	219,911	219,911	65,898	285,809
Other comprehensive income														
Currency translation	-	-	(30,957)	-	-	-	-	-	-	-	-	(30,957)	(8,420)	(39,377)
Share of other comprehensive income of an associate	-	-	(2,878)	-	-	-	-	-	-	-	-	(2,878)	-	(2,878)
Release upon step acquisition of a subsidiary	-	-	5,929	-	-	-		-	-	-	-	5,929	-	5,929
Total comprehensive income for the year	-	-	(27,906)	-	-	-	-	-	-	-	219,911	192,005	57,478	249,483
2022 proposed final dividend (Note 9)	-	-	-	-	-	-	-	-	-	53,900	(53,900)	-	-	-
2022 proposed special dividend (Note 9)	-	-	-	-	-	-	-	-	-	23,100	(23,100)	-	-	-
Balance at 31 December 2022	7,700	173,078	(83,092)	(136,875)	310,125	737	(5,101)	10,157	(21,618)	77,000	1,025,857	1,357,968	296,993	1,654,961

1. General information

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

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

2. Adoption of Hong Kong Financial Reporting Standards

2.1 Adoption of new or amended HKFRSs

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

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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

Amendments to HKAS 8 - Definition of Accounting Estimates
The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

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

2.1 Adoption of new or amended HKFRSs (Continued)

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

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

Amendments to HKAS 12 – International Tax Reform – Pillar Two Model Rules

The amendments add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

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

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

Amendments to HKAS 1	Classification of liabilities as current or non-current[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of Exchangeability[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]

[1] Effective for annual periods beginning on or after 1 January 2024.
[2] Effective for annual periods beginning on or after 1 January 2025.

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.

2.3 New guidance on accounting for the MPF-LSP offsetting mechanism in Hong Kong issued by HKICPA

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 ('the Amendment Ordinance') was enacted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers' mandatory contributions under the mandatory provident fund ('MPF') scheme to offset severance payment ('SP') and long service payments ('LSP') ('the Abolition'). Subsequently, the Government of HKSAR announced that the Abolition will take effect on 1 May 2025 ('the Transition Date').

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

2.3 New guidance on accounting for the MPF-LSP offsetting mechanism in Hong Kong issued by HKICPA (Continued)

The following key changes will take effect since the Transition Date:

- Accrued benefits derived from employers' mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.
- The pre-transition LSP/SP is calculated using the last month's salary immediately preceding the Transition Date, instead of using the last month's salary of employment termination date.

Due to the complexities of the accounting for the offsetting of accrued benefits derived from an employer's mandatory MPF contributions and its LSP obligation and the accounting for the offsetting mechanism could become material in light of the Abolition, the HKICPA published 'Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong' ('the Guidance') in July 2023 to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches for the offsetting mechanism, being:

- Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee's LSP benefits in terms of HKAS 19.93(a)
- Approach 2: Account for the employer MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation

For the years ended 31 December 2022 and 2023, the Group's LSP liability before the expected offsetting under the MPF-LSP offsetting mechanism is immaterial. Application of the Guidance had no material effect on the consolidated financial statements of the Group.

3. Revenue

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

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

	2023 HK$'000	2022 HK$'000
Major products/services lines		
Provision of printing income	1,614,872	1,620,197
Provision of publishing income	947,909	875,892
	2,562,781	2,496,089

4. Segment information

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

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

(a) Printing – provision of printing services;

(b) Publishing – provision of publishing services.

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

Segment revenue and results

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

	Printing		Publishing		Elimination		Consolidation	
	2023	2022	2023	2022	2023	2022	2023	2022
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue								
- External	1,614,872	1,620,197	947,909	875,892	-	-	2,562,781	2,496,089
- Inter-segment	153,836	131,198	-	-	(153,836)	(131,198)	-	-
	1,768,708	1,751,395	947,909	875,892	(153,836)	(131,198)	2,562,781	2,496,089
Segment Result	236,275	182,429	104,410	147,060	-	(482)	340,685	329,007
Reversal of impairment of loan to an associate							-	2,600
Fair value gain on disposal of an associate							-	31,285
Unallocated corporate expenses							(3,132)	(3,784)
Share of profit of associate							-	6,503
Finance cost							(36,402)	(18,093)
Profit before income tax							301,151	347,518

4. Segment information (Continued)

	Printing		Publishing		Consolidation	
	2023	2022	2023	2022	2023	2022
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other Segment Information:						
Additions to property, plant and equipment	77,020	75,061	1,848	9,488	78,868	84,549
Additions to right-of-use assets	1,720	38,234	-	28,520	1,720	66,754
Bank interest income	23,245	3,156	800	1	24,045	3,157
Loan interest income	75	4,269	-	-	75	4,269
Depreciation of property, plant and equipment	(40,631)	(40,174)	(2,372)	(3,161)	(43,003)	(43,335)
Depreciation of right-of-use assets	(32,439)	(37,213)	(10,335)	(10,555)	(42,774)	(47,768)
Amortisation of intangible assets, less pre-publication cost	-	-	(659)	(1,596)	(659)	(1,596)
Amortisation of pre-publication cost	-	-	(129,601)	(104,027)	(129,601)	(104,027)
Impairment of right-of-use assets	-	(2,974)	-	(1,765)	-	(4,739)
Provision for impairment to trade receivables and other receivables, net	(396)	(14,536)	(6,138)	(16,177)	(6,534)	(30,713)
Gain/ (loss) on financial assets at fair value through profit or loss	936	(2,634)	-	-	936	(2,634)

4. Segment information (Continued)

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

	Revenue from external customers		Non-current assets (excluding deferred tax assets and lease receivables)	
	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
PRC	13,855	8,928	208,400	153,864
United States of America ("USA")	1,126,741	1,244,789	108,161	126,309
Australia	710,373	652,367	183,273	174,710
United Kingdom ("UK")	298,090	278,243	274,103	271,549
Spain	54,012	49,664	-	-
Canada	50,845	42,984	-	-
France	40,061	28,242	-	-
Germany	37,719	21,515	-	-
Italy	23,726	13,591	-	-
Netherland	28,599	12,748	-	-
New Zealand	10,707	12,451	-	-
Ireland	15,392	12,050	-	-
Chile	12,051	10,790	-	-
Singapore	12,122	7,773	1,147	10,519
Hong Kong (domicile)	1,073	1,983	91,255	94,589
Malaysia	105	281	64,533	42,324
Others	127,310	97,690	-	-
	2,562,781	2,496,089	930,872	873,864

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.

5. Other income

	2023 HK$'000	2022 HK$'000
Sales of scrapped paper and by-products	17,731	22,478
Sales commission	1,689	3,491
Bad debt recovered	4,041	16,938
Bank interest income	24,045	3,157
Interest income on lease receivables	25	48
Gain on disposal of financial assets at fair value through profit or loss	936	3,298
Gain on disposal of an associate	-	31,285
Gain on disposals of property, plant and equipment	4,902	6,751
Government subsidies	1,272	4,715
Foreign exchange gain, net	9,398	2,406
Loan interest income	75	4,269
Reversal of over provision on lease dilapidation	-	980
Debt forgiveness	-	4,484
Sundry income	2,835	6,370
	66,949	110,670

6. Finance costs

	2023 HK$'000	2022 HK$'000
Interest charges on bank borrowings, which contain repayment on demand clause	28,735	12,611
Interest on lease liabilities	7,042	5,004
Amortisation of debt issuance costs and bank fees	614	478
Interest on long service payment liabilities	11	-
	36,402	18,093

7. Profit before income tax

	2023 HK$'000	2022 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration (Note (i) below)	6,202	5,642
Provision for impairment on trade and other receivables	6,534	30,713
Reversal of impairment of loans to an associate	-	2,600
Cost of inventories recognised as direct operating costs	1,723,560	1,664,664
Provision for inventories, net, included in cost of inventories recognised as direct operating costs	13,594	14,072
Depreciation of owned property, plant and equipment (Note (ii) below)	43,003	43,335
Depreciation of right-of-use assets (Note (ii) below)	42,774	47,768
Amortisation of intangible assets, less amortisation of pre-publication cost	659	1,596
Amortisation of pre-publication costs recognised as direct operating costs	129,601	104,027
Written off of pre-publication costs recognised as direct operating costs	13,117	19,684
Short-term leases expenses	3,705	4,396
Gain on disposal of an associate	-	(31,285)
Loss on lease modification	43	950
Loss on financial assets at fair value through profit or loss	-	2,635
Loan interest income	(75)	(4,269)
Debt forgiveness	-	(4,484)
Employee benefit expense, including directors' emoluments (Note (iii) below)	582,446	522,947

Notes:

(i) Auditor's remuneration for other non-audit services of HK$108,000 was recognised during the year (2022: HK$782,000).

(ii) Depreciation of owned property, plant and equipment of HK$37,548,000 (2022: HK$35,728,000) and HK$5,455,000 (2022: HK$7,607,000) have been included in cost of inventories recognised as direct operating costs and administrative expenses respectively.

Depreciation of right-of-use assets of HK$22,307,000 (2022: HK$26,035,000) and HK$20,467,000 (2022: HK$21,733,000) have been included in cost of inventories recognised as direct operating costs and administrative expenses respectively.

(iii) Employee benefit expense of HK$338,057,000 (2022: HK$309,629,000), HK$122,905,000 (2022: HK$111,723,000) and HK$121,484,000 (2022: HK$101,595,000) have been included in cost of inventories recognised as direct operating costs, selling and distribution costs and administrative expenses respectively.

8. Income tax expense

For years ended 31 December 2023 and 2022, under the two-tiered profits tax rate regime, Hong Kong Profits Tax of the qualifying group entity with chargeable profits in Hong Kong is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. Profits of group entities chargeable profits in Hong Kong not qualified for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

The Group's subsidiaries in Australia, UK, USA and Singapore are subject to domestic tax rate of 30% (2022: 30%), 25% (2022: 19%), 27% (2022: 27%) and 17% (2022: 17%) respectively on the estimated assessable profits.

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

	2023 HK$'000	2022 HK$'000
Current tax - Hong Kong profits tax		
Tax for the year	23,806	27,368
Over provision in prior years	(1,069)	(10)
	22,737	27,358
Current tax – Australia		
Tax for the year	13,878	5,219
Over provision in prior years	(1,107)	(388)
	12,771	4,831
Current tax – other overseas countries		
Tax for the year	25,647	22,703
Under provision in prior years	-	-
	25,647	22,703
Deferred tax		
(Credited)/Charged during the year	(726)	6,817
	60,429	61,709

9. Dividends

	2023 HK$'000	2022 HK$'000
Final dividend paid in respect of prior year of HK$0.07 (2022: HK$0.06) per share	53,900	46,200
Special dividend paid in respect of prior year of HK$0.03 (2022: Nil) per share	23,100	-
Interim dividend paid in respect of current year of HK$0.03 (2022: HK$0.03) per share	23,100	23,100
Dividend in respect of shares held under share award scheme	(3,846)	(2,662)
	96,254	66,638

At a meeting held on 27 March 2024, the directors recommended a final dividend of HK$0.08 per ordinary share, amounting to approximately HK$61,600,000, in aggregate based on the total number of ordinary shares in issue at that date. This proposed final dividend are not reflected as a dividend payable in these financial statements, but reflected as an appropriation of retained earnings for the year ended 31 December 2023.

10. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK$185,248,000 (2022: HK$219,911,000) 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 741,833,276 (2022: 740,417,090).

For the year ended 31 December 2023, the calculation of diluted earnings per share is based on the profit attributable to owners of the Company of approximately HK$185,432,000 and on the following data:

	2023 Number of shares	2022 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	741,833,276	740,417,090
Effect of dilutive potential ordinary shares:		
- Share awards	10,090,305	9,167,315
	751,923,581	749,584,405

11. Property, plant and equipment

	Construction in Progress HK$'000	Land and buildings HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Computer equipment and systems HK$'000	Motor vehicles HK$'000	Machinery HK$'000	Total HK$'000
Year ended 31 December 2022									
Opening net book amount	-	18,946	449	2,747	10,334	803	2,044	179,036	214,359
Exchange differences	-	(810)	(38)	(106)	(784)	(137)	(35)	(11,580)	(13,490)
Additions	10,873	1,283	2,595	452	9,819	2,132	820	56,575	84,549
Acquired through business combination	-	-	32	8	3,253	1,487	-	2,441	7,221
Impairment loss	(4,511)	(5,461)	(475)	-	-	-	-	(13,295)	(23,742)
Disposals	-	-	(1)	(460)	-	(19)	-	(440)	(920)
Depreciation	-	(1,016)	(166)	(765)	(5,824)	(1,166)	(747)	(33,651)	(43,335)
Closing net book amount	6,362	12,942	2,396	1,876	16,798	3,100	2,082	179,086	224,642
At 31 December 2022									
Cost	6,362	21,428	7,576	8,776	82,478	19,625	6,673	484,751	637,669
Accumulated depreciation	-	(8,486)	(5,180)	(6,900)	(65,680)	(16,525)	(4,591)	(305,665)	(413,027)
Net book amount	6,362	12,942	2,396	1,876	16,798	3,100	2,082	179,086	224,642
Year ended 31 December 2023									
Opening net book amount	6,362	12,942	2,396	1,876	16,798	3,100	2,082	179,086	224,642
Exchange differences	(381)	(6)	(8)	(348)	28	51	(22)	(2,619)	(3,305)
Additions	5,117	-	2,358	251	1,593	1,430	1,047	67,072	78,868
Disposals	-	-	-	-	-	(8)	(398)	(884)	(1,290)
Depreciation	-	(594)	(522)	(496)	(4,427)	(1,503)	(682)	(34,779)	(43,003)
Closing net book amount	11,098	12,342	4,224	1,283	13,992	3,070	2,027	207,876	255,912
At 31 December 2023									
Cost	11,098	21,324	9,930	8,975	84,362	20,816	5,933	526,563	689,001
Accumulated depreciation	-	(8,982)	(5,706)	(7,692)	(70,370)	(17,746)	(3,906)	(318,687)	(433,089)
Net book amount	11,098	12,342	4,224	1,283	13,992	3,070	2,027	207,876	255,912

11. Property, plant and equipment (Continued)

As at 31 December 2023 and 2022, the Group's land and buildings represented (1) freehold land and buildings of HK$3,963,000 (2022: HK$4,322,000), which are situated in Australia; and (2) leasehold buildings of HK$8,379,000 (2022: HK$8,620,000), which are situated in Malaysia.

As at 31 December 2023, the net book value of assets under construction includes an amount of HK$11,098,000 (2022: HK$6,362,000) relating to the Group's new printing factory, which is currently under construction situated in Malaysia. The cost of the factory will be depreciated once the property is complete and available for use. The estimated cost to completion of the property to which the Group is contractually committed, is HK$1,670,000 (2022: HK$18,556,000). No interest or borrowing costs was capitalised during the year.

12. Right-of-use assets

	Leasehold land HK$'000	Leased properties HK$'000	Plant and equipment HK$'000	Total HK$'000
At 1 January 2022	7,970	62,862	686	71,518
Acquired through business combinations	-	36,380	609	36,989
Additions	-	42,627	24,127	66,754
Depreciation	(243)	(40,832)	(6,693)	(47,768)
Impairment	(2,974)	(1,765)	-	(4,739)
Lease modification	-	(8,487)	(9,340)	(17,827)
Exchange differences	(207)	308	(1,812)	(1,711)
At 31 December 2022 and at 1 January 2023	4,546	91,093	7,577	103,216
Additions	-	-	1,720	1,720
Depreciation	(144)	(39,243)	(3,387)	(42,774)
Lease modification	-	82,338	(2,451)	79,887
Exchange differences	(141)	538	55	452
At 31 December 2023	4,261	134,726	3,514	142,501

As at 31 December 2023, the Group's leasehold land are situated in Malaysia with lease term expiring in 2054 - 2055.

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

13. Intangible assets

	Goodwill HK$'000	Customer relationship HK$'000	Pre-publication costs HK$'000	Backlists HK$'000	Software HK$'000	Customer contract HK$'000	Total HK$'000
At 1 January 2022							
Cost	197,700	9,700	-	-	-	-	207,400
Amortisation and impairment	(19,775)	(9,700)	-	-	-	-	(29,475)
Net carrying amount	177,925	-	-	-	-	-	177,925
Year ended 31 December 2022							
Opening net carrying amount	177,925	-	-	-	-	-	177,925
Acquired through business combination	-	-	222,380	5	203	2,048	224,636
Addition	150,418	-	114,976	-	-	-	265,394
Written off	-	-	(19,684)	-	-	-	(19,684)
Amortisation	-		(104,027)	-	(203)	(1,393)	(105,623)
Exchange differences	(6,609)	-	(14,058)	(1)	-	-	(20,668)
Closing net carrying amount	321,734	-	199,587	4	-	655	521,980
At 31 December 2022 and 1 January 2023							
Cost	341,509	9,700	266,542	4	203	2,048	620,006
Amortisation and impairment	(19,775)	(9,700)	(66,955)	-	(203)	(1,393)	(98,026)
Net carrying amount	321,734	-	199,587	4	-	655	521,980
Year ended 31 December 2023							
Opening net carrying amount	321,734	-	199,587	4	-	655	521,980
Addition	-	-	134,401	-	-	-	134,401
Written off	-	-	(13,117)	-	-	-	(13,117)
Amortisation	-	-	(129,601)	(4)	-	(655)	(130,260)
Exchange differences	(403)	-	3,933	-	-	-	3,530
Closing net carrying amount	321,331	-	195,203	-	-	-	516,534
At 31 December 2023							
Cost	341,106	9,700	414,028	4	203	2,048	767,089
Amortisation and impairment	(19,775)	(9,700)	(218,825)	(4)	(203)	(2,048)	(250,555)
Net carrying amount	321,331	-	195,203	-	-	-	516,534

14. Inventories

	2023 HK$'000	2022 HK$'000
Raw materials	258,801	208,394
Work-in-progress	53,292	64,689
Finished goods	157,794	188,943
Less: provision for obsolescence	(39,377)	(25,671)
	430,510	436,355

15. Trade and other receivables and deposits

Ageing analysis of gross carrying amount of trade receivables as at 31 December 2023, based on the invoice date, is as follows:

	2023 HK$'000	2022 HK$'000
0 – 30 days	222,120	219,125
31 – 60 days	185,209	181,823
61 – 90 days	102,405	111,215
91 – 120 days	63,056	49,004
121 – 150 days	23,433	10,841
Over 150 days	41,527	36,784
Total trade receivables	637,750	608,792
Less: Provision for impairment of trade receivables	(30,752)	(30,420)
Trade receivables – net	606,998	578,372
Other receivables and deposits - net	95,870	92,635
	702,868	671,007

In general, the Group allows a credit period from 30 to 150 days (2022: 30 to 150 days) to its customers.

16. Financial assets at fair value through profit or loss

	2023		2022	
	Level 2 HK$'000	Level 3 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Financial assets at fair value through profit or loss:				
Unlisted convertible note	-	-	-	-
Forward foreign exchange contracts	238	-	11	-
Net fair values	238	-	11	-

17. Trade and other payables

As at 31 December 2023, ageing analysis of trade payables based on invoice date is as follows:

	2023 HK$'000	2022 HK$'000
0 – 30 days	99,118	89,281
31 – 60 days	39,999	31,433
61 – 90 days	16,475	13,170
91 - 120 days	16,085	8,632
Over 120 days	5,703	4,431
	177,380	146,947
Other payables and accruals	309,540	332,007
	486,920	478,954

Credit terms granted by the suppliers are generally 0 to 90 days (2022: 0 to 90 days).

18. Bank borrowings

	2023 HK$'000	2022 HK$'000
Current portion		
- Bank loans due for repayment within one year or contain a repayment on demand clause	330,029	428,352
Non-current portion		
- Bank loans due for repayment in the second year	-	10,135
Total bank borrowings	330,029	438,487

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:

	2023 HK$'000	2022 HK$'000
Within one year	185,576	216,232
In the second year	106,786	160,135
In the third to fifth year	37,667	62,120
Wholly repayable within five years	330,029	438,487

19. Lease liabilities

	2023 HK$'000	2022 HK$'000
Balance as at 1 January	113,479	73,729
Acquired through business combination	-	40,029
Additions	1,720	64,346
Lease modification	79,397	(16,876)
Interest expense	7,042	5,004
Lease payments	(46,635)	(50,198)
Exchange adjustments	710	(2,555)
Balance as at 31 December	155,713	113,479
Represented by:		
Current liabilities	36,179	36,390
Non-current liabilities	119,534	77,089
	155,713	113,479

CHAIRMAN'S STATEMENT

In 2023, we achieved a 3% increase in turnover, reaching $2,563 million (2022: $2,496 million). Our net profit after tax declined by 16% to $240.7 million (2022: $285.8 million). This was mainly due to the absence of the $31 million one-time gain in 2022 from derecognizing Quarto as an associate. Without this factor, our 2023 profit was in line with the previous year.

Despite the headwinds of a volatile and complex macroeconomic environment in 2023, characterized by geopolitical tensions, inflationary pressures, rising interest rates, and a sluggish global book market, the Group delivered solid performance.

Geopolitics and de-risking trade policies have dominated the news headlines in the past year, and we anticipate them to escalate as the US presidential election draws near. To navigate these challenges, the Group has adopted a proactive and agile approach, which entails diversifying our supply chain and markets, fostering regular dialogue with our overseas customers and regional suppliers and anticipating demand and price fluctuations of raw materials.

I am delighted to welcome Mr. Ng Siu On as our new independent non-executive director and a member of the Audit, Remuneration, and Nomination Committees. Mr. Ng has a remarkable and extensive career in banking, spanning over 40 years at HSBC and Bank of Communications. We look forward to benefiting from his insights and skills.

I would also like to thank my predecessor Mr. KS Yeung. Under his leadership, the Group has undergone a transformation from a commoditized book printer to a multinational enterprise that spans across multiple regions and sectors. KS has been appointed as "Chairman Emeritus" of the Group.

We are pleased to propose a final dividend of 8 cents per ordinary share, giving a full year dividend of 11 cents per ordinary share. This demonstrates our confidence in our long-term outlook, and our commitment to creating value for our shareholders.

Lau Chuk Kin
Chairman
Hong Kong, 27 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's turnover increased by 3% to $2,563 million in 2023 (2022: $2,496 million). This growth stemmed from the full-year revenue contribution of Griffin Press, an Australian company acquired in June 2022, and the consolidation of Quarto, a former associate that became a subsidiary of the Group in April 2022.

Net profit after tax dropped 16% to $240.7 million in 2023 (2022: $285.8 million). This decrease was largely attributable to one-off profit-and-loss items. Excluding the $31 million one-time gain in 2022 from derecognizing Quarto as an associate, the Group's profit in 2023 was in line with prior year.

The global book market encountered considerable headwind in 2023, with varying performance across different market segments. The US market, which is the largest book market in the world, saw a 3% decline in unit sales of printed books year-on-year (YoY), according to data from Circana BookScan. Within this market, the Adult Fiction category was the only one that achieved a marginal growth of 1%. Other categories, such as Adult Non-Fiction and Children's Books, suffered losses of 3% and 5% respectively. In other major markets, the UK and Australian book markets also experienced a downturn in unit sales of printed books. This was due to readers returning to their normal consumption habits after the surge in demand triggered by the pandemic.

In the wake of COVID-19, our publishing clients struggled with inventory management issues throughout 2023. Many of them were still dealing with the consequences of the substantial inventory buildup that took place in 2022, as a result of global supply chain disruptions. Consequently, they adopted a more cautious approach to placing print orders, aiming to reduce their stock levels to more optimal quantities. For example, Quarto's inventory turnover ratio decreased from 12 in 2022 to 9 in 2023, indicating a shift from a 20% overstock situation to a more manageable 5% overstock.

The Chinese book market experienced a 5% increase in unit sales of printed books in 2023. However, the full picture was gloomier as the actual value of books sold plunged by more than 7%, with the Children's books segment particularly hard hit. Publishers and booksellers have resorted to aggressive discounting tactics to clear the inventory that had accumulated during the COVID lockdown period. Given the difficult local market conditions, we noticed a rise in competition from indigenous Chinese printers for overseas book printing orders. And with no significant exits of Chinese printers from the market, this overcapacity has exerted downward pressure on printing margins for the industry.

BUSINESS REVIEW

A. PRINT MANUFACTURING

1010 Printing, China manufacturing and international sales operations:
Sales turnover registered a 5% YoY decline as market demand for print services remained soft. Profit margin fell due to pricing pressure from fierce competition and the additional resources allocated to support the capacity ramp-up at the Papercraft plant in Malaysia. Talent acquisition and retention remains the major challenge to enhance the productivity and efficiency of our plant.

Left Field Printing Group, Australia manufacturing:
Left Field Printing recorded a 10% growth in turnover, attributable to the acquisition of Griffin Press in June 2022. Despite the revenue increase, we faced some headwinds in our read-for-pleasure book printing segment, as the Australian book market suffered a downturn with significantly lower unit sales.

Since the 2022 acquisition, the management has been aligning Griffin Press with the overall Left Field group, including implementing the Group's cost control practice and setting up a production scheduler to track Delivery in full, on time (DIFOT) performances. We are delighted to report that the Griffin plant performance has improved significantly, and the result is appreciated by our customers.

A new state-of-the-art perfect binding line has been deployed at Ligare, our plant in New South Wales. All the above improvements, coupled with the synergy from the acquisition, have resulted in better efficiency, shorter delivery lead time, and higher customer satisfaction. Excluding the $14.7 million one-time provision in 2022 related to Ovato's voluntary administration in 2022, profit before tax has increased by 45%.

COS/Papercraft, Singapore & Malaysia manufacturing:
Sales turnover at COS/Papercraft rose by 9% as demand for its print services grew. The management team has been addressing the operational challenges in our supply chain, such as paper shortages and a scarcity of skilled workers. With the support of 1010 Printing, which provided human resources and technical expertise to streamline the production processes, COS/Papercraft has reduced their operating loss by 82%, with breakeven point in sight.

Despite falling short of their original budget for 2023, the management is optimistic that COS/Papercraft will turn profitable in 2024. The Group believes the strategic investment in Papercraft will differentiate us as one of the few printing groups in Asia that offers the "China Plus One" option.

B.PRINT SERVICES MANAGEMENT

APOL Group, international sales operations:
Sales turnover grew by 1% at APOL. The management has strengthened its cost control and implemented a headcount reduction program. This has resulted in an improvement in profit margin and a 25% increase in profit.

Regent, Hong Kong sales operation:
After a record-breaking sales year in 2022, Regent's sales turnover dropped by 14% in 2023. Regent mainly operates in the US, and its performance has been impacted by the soft performance of the US book market. The management is proactively seeking alternative markets to expand, including One-Belt-One-Road countries.

C. PUBLISHING

The Quarto Group
Quarto's revenue rose by 8% in 2023. However, excluding the timing factor of Quarto becoming the Group's subsidiary in April 2022, its revenue fell by 13%.

Quarto has excelled in the UK market with bestsellers such as Little People Big Dreams and the Complete Air Fryer Cookbook. However, they have lagged behind in the larger US market. The US downturn, and the discontinuation of Smart Lab and Quarto Distribution Services contributed to the decline of Quarto's revenue.

Post-reporting period, Quarto's shareholders have approved the voluntary delisting from the London Stock Exchange in January 2024. A tender offer has also been launched to buyback Quarto shares from its shareholders. We anticipate that, after the tender offer, the Group will own nearly 68% of Quarto. And as its majority owner, the Group will explore strategic options for Quarto to enhance value for our shareholders.

STRATEGIC OUTLOOK

We have always advocated that our Group should adopt a diversification strategy to address the evolving landscape of manufacturing in China. While factors such as rising labour costs, improved education, and aging population have contributed to shifts in the manufacturing sector, particularly in labour-intensive areas such as clothing, furniture, and footwear, it is essential to recognize this strategic progression. China is transitioning from low-end manufacturing to high-end manufacturing and innovation-led sectors.

A significant portion of the cost of goods sold of printed books is attributed to paper costs, and we foresee that paper prices in China will remain favourable for the time being. Paper production capacity in China has expanded, while several paper mills in the United States and Europe have been decommissioned. The enforcement of strict environmental policies has further limited the capacities of paper production in the West. On a like-for-like basis, price of coated paper in China was 28% lower than Europe and 44% lower than the US as of Q4 23. While this price differential will continue to be a competitive advantage for book printers in China, we expect the pricing gap between China-made paper and Europe made paper to narrow in the next few years as Chinese paper producers switch production from coated paper to the higher margin uncoated paper. And the surplus supply will eventually be absorbed domestically as the Chinese economy continues to grow.

Freight costs have surged recently due to the Red Sea crisis and the conflict in the Middle East. Shipping rates from China to Europe have nearly tripled and to the US have doubled. However, we expect that prices will not reach the astronomic levels we witnessed during the pandemic as shipping demand is much lower now than in 2021. Freight costs will likely settle at lower levels in the coming months as more new ships are deployed and handling capacity at major ports remains sufficient. This will ensure that Chinese printers remain a viable option for publishing clients in the West.

The biggest uncertainty faced by Chinese printers is geopolitical risk. The Western governments have promoted the policy of “friendshoring”, then “China Plus One”, “de-coupling” and finally settling on “de-risking”. Whatever term is used, the goal is to minimize the perceived risks of being commercially reliant on China and diversify the sources of supply. There is a significant risk that politicians in the West will apply more pressure on investors and corporates to comply with the de-risking policy and impose further tariffs on goods imported from China and other regions.

Book printing in China will remain competitive due to the advantages in paper prices, productivity, and an unrivalled supply chain ecosystem. We recognize that South-East Asia is gradually emerging as an appealing cost-effective alternative. With its abundant pool of affordable labour, South-East Asia has the potential to become a strong contender, but it will take the region some years to develop the infrastructure, skillset, and supply chain in order to match the book manufacturing productivity level in China.

How the above market and geopolitical forces play out in the long run is anybody’s guess. But the Group is well positioned to capitalize on the “China Plus One” trend with our Malaysia-based Papercraft plant. As other manufacturers establish their operations in Malaysia, supply chain operations for exports will improve, which will benefit overall book printing in Malaysia. The strategic investment in Papercraft will further bolster our core printing business by providing customers with an alternative to China-based printing solutions.

NEAR-TERM PROSPECT

In the near term, the volatility of ocean freight due to conflicts in the Red Sea and geopolitical bickering between the East and West will bring uncertainty to the market. And we are already seeing some print demand shifting back to onshore printing for the larger publishing clients.

The Chinese book market will continue to be soft in 2024. This will prompt the indigenous Chinese printers to diversify from their local market and target overseas publishing clients. This overcapacity will exert pressure on printing prices and lead to closure of uncompetitive printing plants. We will differentiate our services by offering better customer service, delivering consistent quality, and developing a regional supply chain with diverse and competitive paper supply.

We will continue to ramp up our capacity in Malaysia as we see continued demand for book printing in South-East Asia. With other print manufacturers continuing to invest in print capacity in Malaysia, we are confident that the print industry will reach critical mass to support a more robust ecosystem of customers, paper suppliers and freight providers.

On our publishing business, the Group's 5-year effort to turnaround Quarto has reached a new phase. With a healthy balance sheet and streamlined operation, Quarto will shift its focus to growing the business. It is now entering its third year under the current management, which has pursued a strategy of publishing fewer but better books in order to attract more prominent authors, literary agents, and higher calibre staff. This high risk, high reward initiative has led to a higher level of investment, and 2024 will be a crucial year to evaluate the effectiveness of the new approach as these high-profile titles will be released into the market.

Previously, the Group has taken on more bank debt in anticipation of M&A opportunities in the past 24 months. So far, we have not found any attractive acquisition opportunities at reasonable prices. The Group has conducted a critical review of our cash and debt levels and decided that we should repay some of the bank debt due to a lack of deal making opportunity.

Despite the uncertainties in the business environment, we are cautiously optimistic with our outlook. The 1010 Printing plant in China is a well-oiled operation, consolidation at Left Field in Australia is yielding results, we are witnessing growing demand from our customers for our Malaysian plant, our print management businesses, APOL and Regent, are run by very capable management, and Quarto is on a new growth trajectory after a very successful delisting.

Last but not least, I would like to express my gratitude to all of our staff for your hard work, dedication, and professionalism. You have been the pillars of our success and the driving force behind our achievements.

FINANCIAL REVIEW

Turnover for the year ended 31 December 2023 was approximately HK$2,562.8 million and represented an increase of 2.7% from previous corresponding year (2022: HK$2,496.1 million). The increase in turnover was attributed to the increase in book publishing revenue as a result of inclusion of the full year results of the Quarto Group, Inc ("Quarto") in 2023 compared with nine months' results in 2022. Revenue contributed by the book publishing segment was approximately HK$947.9 million for the year (2022: HK$875.9 million). Turnover contributed by the printing segment was approximately HK$1,614.9 million, a slight decrease of approximately HK$5.3 million as compared with approximately HK$1,620.2 million in 2022. Publishers that were destocking in 2022 and early 2023 started to recover their print orders in the lower half of the year.

Gross profit margin slightly decreased from 33.3% to 32.7% for the year ended 31 December 2023 compared with 2022. The strong competition from local printers imposed pricing pressure and the printing segment margin reduced accordingly. The effect was mitigated by the inclusion of the full year result of the publishing segment in 2023 which provided a higher gross profit contribution to the Group.

Other income decreased by HK$43.7 million to approximately HK$66.9 million for the year ended 31 December 2023 (2022: HK$110.7 million). The decrease was mainly due to the non-recurring one-off gain on disposal of associate of HK$31.3 million in 2022 upon derecognition of Quarto as an associate and the decrease in bad debt recovered.

Selling and distribution expenses increased slightly from approximately HK$346.3 million for the year ended 31 December 2022 to HK$350.1 million in 2023. Selling and distribution expenses against sales decreased from 13.9% in 2022 to 13.7% in 2023. The benefit from the decreased freight cost in 2023 was partially offset by the higher sales and marketing costs derived from the publishing segment.

Administrative expenses increased by HK$31.8 million to approximately HK$212.0 million (2022: HK$180.1 million). The increase was mainly driven by the inclusion of the full year administrative expenses of Quarto and Griffin business in 2023 compared with nine months results in Quarto and six months results in Griffin.

Impairment losses on property, plant and equipment of HK$23.7 million and right-of-use asset of HK$4.7 million were recognised for the year ended 31 December 2022. The impairment losses were made from the expectation of lower future recoverable value on the assets in Papercraft, our subsidiary in Malaysia. No further impairment loss was needed in 2023 in view of the gradual pickup of the operation in Malaysia.

Provision for impairment of trade and other receivables decreased by HK$24.2 million as compared with 2022. The decrease was due to the reduced expected credit loss on the trade receivables of the publishing business.

Finance costs increased from approximately HK$18.1 million in 2022 to approximately HK$36.4 million in 2023. Higher interest cost incurred following the gradual increase in floating interest rate during the year.

Share of result of an associate amounted to HK$6.5 million in 2022, representing the share of first quarter result in Quarto before it became subsidiary of the Company.

Income tax expenses decreased only slightly to approximately HK$60.4 million in 2023 (2022: HK$61.7 million) despite the 13% decrease in profit before tax. This was due to the decrease in non-taxable income and the increase in tax rate in our publishing segment operated in United Kingdom.

Profit attributable to owners of the Company amounted to approximately HK$185.2 million for the year ended 31 December 2023 (2022: HK$219.9 million), a 15.8% decrease compared with 2022.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group had net current assets of approximately HK$991.5 million (2022: HK$869.3 million) of which the cash and cash equivalents were approximately HK$780.1 million (2022: HK$770.2 million). The Group's current ratio was approximately 2.1 (2022: 1.9).

Total bank borrowings and lease liabilities for the Group amounted to approximately HK$485.7 million (2022: HK$552.0 million). Bank borrowings of HK$330.0 million were denominated in Hong Kong dollars. All bank borrowings were carried at floating rates repayable within five years. The Group's gearing ratio as at 31 December 2023 was 27.0% (2022: 33.4%), which is calculated on the basis of the Group's total interest-bearing debts (comprising bank borrowings and lease liabilities) over the total equity interest.

The Group adopts centralized financing and treasury policies in order to ensure the Group funding is utilized efficiently. The Group also regularly monitors its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

FOREIGN CURRENCY MANAGEMENT

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

CAPITAL EXPENDITURE

During the year, the Group had acquired property, plant and equipment at approximately HK$78.9 million. The purchase is mainly financed by internal resources. The carrying amount of right-of-use assets as at 31 December 2023 was approximately HK$142.5 million.

PLEDGE OF ASSETS/ CHARGE OF ASSETS

As at 31 December 2023, the Group had assets of HK$845.7 million (2022: HK$844.3 million) comprising property, plant and equipment of HK$10.2 million, right-of-use assets of HK$39.5 million, intangible assets of HK$194.6 million, inventories of HK$132.7 million, trade and other receivables of HK$311.2 million, cash and cash equivalents of HK$157.5 million and equity interests of certain subsidiaries being charged as security against the banking facilities granted to Quarto. In addition, the Group had pledged deposit of approximately HK$0.1 million (2022: HK$0.1 million) as a security for the banking guarantee facilities of a subsidiary.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no material contingent liabilities.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2023, the Group had around 1,771 full-time employees (2022: 1,683). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employees benefits include provident fund, insurance and medical cover.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to recommend the payment of a final dividend of HK$0.08 (the "Final Dividend") for the year ended 31 December 2023 (2022: final dividend of HK$0.07 and special dividend of HK$0.03) to holders of ordinary shares whose names appear on the register of holders of ordinary shares of the Company as at the close of business on 23 May 2024.

The register of members will be closed on 23 May 2024 and no transfer of shares will be registered on such day. To qualify for the Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, whose share registration public offices are located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 22 May 2024. Subject to the passing of the relevant resolution of the forthcoming annual general meeting, the Final Dividend are expected to be paid and dispatched on 6 June 2024.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the Corporate Governance Code contained in Appendix C1 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") during the year.

AUDIT COMMITTEE

The audit committee has four members comprising the four independent non-executive directors, namely, Prof. Lee Hau Leung, Dr. Ng Lai Man, Carmen, Mr. Ho Tai Wai, David and Mr. Ng Siu On with terms of reference in compliance with the Listing Rules. The audit committee has reviewed the audited financial results of the Group for the year ended 31 December 2023.

On behalf of the Board
Lau Chuk Kin
Chairman

Hong Kong, 27 March 2024

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

This final results announcement is published on the website of Hong Kong Stock Exchange at www.hkexnews.hk and on the Company's website at www.lionrockgrouphk.com. The annual report 2023 of the Company will also be published on the aforesaid websites in due course.