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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 2025

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 2025, together with the comparative figures for the year ended 31 December 2024 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Revenue	3	2,407,213	2,668,586
Direct operating costs		(1,612,685)	(1,778,441)
Gross profit		794,528	890,145
Other income	5	63,514	58,648
Selling and distribution costs		(371,207)	(377,475)
Administrative expenses		(214,173)	(231,526)
Reversal of impairment of trade receivables, net		4,858	743
Finance costs	6	(13,723)	(25,353)
Profit before income tax	7	263,797	315,182
Income tax expense	8	(51,423)	(61,590)
Profit for the year		212,374	253,592
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Remeasurement of long service payment liabilities		15	(38)
Items that may be reclassified subsequently to profit or loss:			
Exchange gain/ (loss) on translation of financial statements of foreign operations		55,690	(45,809)
Other comprehensive income for the year, net of tax		55,705	(45,847)
Total comprehensive income for the year		268,079	207,745

* for identification purpose only

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2025 (Continued)**

	Notes	2025 HK\$'000	2024 HK\$'000
Profit for the year attributable to:			
Owners of the Company		187,668	214,406
Non-controlling interests		<u>24,706</u>	<u>39,186</u>
		<u>212,374</u>	<u>253,592</u>
Total comprehensive income attributable to:			
Owners of the Company		230,074	179,329
Non-controlling interests		<u>38,005</u>	<u>28,416</u>
		<u>268,079</u>	<u>207,745</u>
Earnings per share for profit attributable to owners of the Company during the year			
	10		
Basic		<u>HK24.91 cents</u>	<u>HK28.58 cents</u>
Diluted		<u>HK24.67 cents</u>	<u>HK28.26 cents</u>

Consolidated Statement of Financial Position
As at 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	293,332	237,804
Deposits for acquisition of property, plant and equipment		7,674	13,878
Right-of-use assets	12	150,158	121,080
Intangible assets	13	549,316	525,533
Deferred tax assets		56,442	40,653
		<u>1,056,922</u>	<u>938,948</u>
Current assets			
Inventories	14	369,624	390,638
Trade and other receivables and deposits	15	667,695	760,127
Financial assets at fair value through profit or loss	16	2,456	-
Pledged deposits		229	209
Cash and cash equivalents		590,102	500,488
		<u>1,630,106</u>	<u>1,651,462</u>
Current liabilities			
Trade and other payables	17	446,762	455,255
Bank borrowings	18	49,337	163,878
Lease liabilities	19	42,184	31,292
Provisions		31,242	27,780
Provision for taxation		28,584	25,537
		<u>598,109</u>	<u>703,742</u>
Net current assets		<u>1,031,997</u>	<u>947,720</u>
Total assets less current liabilities		<u>2,088,919</u>	<u>1,886,668</u>
Non-current liabilities			
Other payables	17	8,041	-
Provisions		5,092	1,817
Lease liabilities	19	121,679	104,249
Deferred tax liabilities		49,206	38,280
		<u>184,018</u>	<u>144,346</u>
Net assets		<u>1,904,901</u>	<u>1,742,322</u>
EQUITY			
Share capital		7,700	7,700
Reserves		1,639,154	1,503,023
Equity attributable to owners of the Company		<u>1,646,854</u>	<u>1,510,723</u>
Non-controlling interests		258,047	231,599
Total equity		<u>1,904,901</u>	<u>1,742,322</u>

Consolidated Statement of Changes in Equity For the year ended 31 December 2025

	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	Retained earnings HK\$'000	Total HK\$'000	HK\$'000	HK\$'000
Balance as at 1 January 2025	7,700	173,078	(117,544)	(136,875)	310,125	737	(35,452)	10,777	(14,211)	1,312,388	1,510,723	231,599	1,742,322
2024 Interim and special dividend paid (Note 9)	-	-	-	-	-	-	-	-	-	(77,000)	(77,000)	-	(77,000)
2025 Interim dividend paid (Note 9)	-	-	-	-	-	-	-	-	-	(23,100)	(23,100)	-	(23,100)
Dividend in relation to share award scheme	-	-	-	-	-	-	-	-	-	2,456	2,456	-	2,456
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(11,143)	(11,143)
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	(101)	-	-	-	(101)	(414)	(515)
Recognition of equity-settled share-based expenses	-	-	-	-	-	-	-	2,406	-	-	2,406	-	2,406
Shares vested under share award scheme	-	-	-	-	-	-	-	(11,337)	11,599	(262)	-	-	-
Shares sold under share award scheme	-	-	-	-	-	-	-	-	730	666	1,396	-	1,396
Lapsed of shares under share award scheme	-	-	-	-	-	-	-	(590)	-	590	-	-	-
Transactions with owners	-	-	-	-	-	-	(101)	(9,521)	12,329	(96,650)	(93,943)	(11,557)	(105,500)
Profit for the year	-	-	-	-	-	-	-	-	-	187,668	187,668	24,706	212,374
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-
Currency translation	-	-	42,391	-	-	-	-	-	-	-	42,391	13,299	55,690
Remeasurement of long service payment liabilities	-	-	-	-	-	-	-	-	-	15	15	-	15
Total comprehensive income for the year	-	-	42,391	-	-	-	-	-	-	187,683	230,074	38,005	268,079
Balance at 31 December 2025	7,700	173,078	(75,153)	(136,875)	310,125	737	(35,553)	1,256	(1,882)	1,403,421	1,646,854	258,047	1,904,901

Consolidated Statement of Changes in Equity
For the year ended 31 December 2025 (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		
Balance as at 1 January 2024	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
2023 final dividends paid (Note 9)	-	-	-	-	-	-	-	-	-	(61,600)	-	(61,600)	-	(61,600)
2024 first interim and first special dividend paid (Note 9)	-	-	-	-	-	-	-	-	-	-	(34,650)	(34,650)	-	(34,650)
Dividend in relation to share award scheme	-	-	-	-	-	-	-	-	-	-	2,493	2,493	-	2,493
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(11,643)	(11,643)
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	(4,309)	-	-	-	-	(4,309)	(2,196)	(6,505)
Change in shareholding in a subsidiary due to repurchase of shares	-	-	-	-	-	-	(26,015)	-	-	-	-	(26,015)	(131,088)	(157,103)
Recognition of equity-settled share-based expenses	-	-	-	-	-	-	-	3,068	-	-	-	3,068	-	3,068
Shares vested under share award scheme	-	-	-	-	-	-	-	(848)	845	-	3	-	-	-
Lapsed of shares under share award scheme	-	-	-	-	-	-	-	(336)	-	-	336	-	-	-
Transactions with owners	-	-	-	-	-	-	(30,324)	1,884	845	(61,600)	(31,818)	(121,013)	(144,927)	(265,940)
Profit for the year	-	-	-	-	-	-	-	-	-	-	214,406	214,406	39,186	253,592
Other comprehensive income	-	-	(35,039)	-	-	-	-	-	-	-	-	(35,039)	(10,770)	(45,809)
Currency translation	-	-	(35,039)	-	-	-	-	-	-	-	-	(35,039)	(10,770)	(45,809)
Remeasurement of long service payment liabilities	-	-	-	-	-	-	-	-	-	-	(38)	(38)	-	(38)
Total comprehensive income for the year	-	-	(35,039)	-	-	-	-	-	-	-	214,368	179,329	28,416	207,745
Balance at 31 December 2024	7,700	173,078	(117,544)	(136,875)	310,125	737	(35,452)	10,777	(14,211)	-	1,312,388	1,510,723	231,599	1,742,322

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 Accounting Standards (“HKFRS Accounting Standards”) which collective term includes all applicable individual HKFRS Accounting 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 Accounting Standards

2.1 Adoption of new or amended HKFRS Accounting Standards

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

Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability
Amendments to Illustrative Examples on HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37	Disclosures about Uncertainties in the Financial Statements

The Group has not early applied any new or amended HKFRS Accounting Standards that is not yet effective for the current accounting period. Impact on the applications of these amended HKFRS Accounting Standards are summarised below.

Amendments to HKAS 21 and HKFRS 1 - Lack of Exchangeability

The amendments specify when a currency is exchangeable into another currency and when it is not, and how an entity determines a spot rate when a currency lacks exchangeability.

Amendments to Illustrative Examples on HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37 - Disclosures about Uncertainties in the Financial Statements

On 13 February 2026, the HKICPA issued Disclosures about Uncertainties in the Financial Statements, which amended multiple HKFRS Accounting Standards to include illustrative examples demonstrating how companies can apply HKFRS Accounting Standards when reporting the effects of uncertainties in their financial statements. The illustrative examples are accompanying materials to HKFRS Accounting Standards and do not have an effective date. The Group has considered these illustrative examples in its preparation of the consolidated financial statements and no additional disclosures or changes in presentation were considered necessary.

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

2.2 New or amended HKFRS Accounting Standards that have been issued but are not yet effective

The following new or amended HKFRS Accounting Standards, 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 HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ¹
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ¹
Annual improvements to HKFRS Accounting Standards - Volume 11	Amendments to HKFRS 1 First time adoption of Hong Kong Financial Reporting Standards, HKFRS 7 Financial Instruments: Disclosure, HKFRS 9 Financial Instruments, HKFRS 10 Consolidated Financial Statements, HKAS 7 Statement of Cash Flows ¹
HKFRS 18 HKFRS 19	Presentation and Disclosure in Financial Statements ² Subsidiaries without public accountability: disclosure ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2026.

² Effective for annual periods beginning on or after 1 January 2027.

³ The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

Amendments to HKFRS 9 and HKFRS 7- Amendments to Classification and Measurement of Financial Instruments

The amendments include requirements on classification of financial assets with environmental, social or governance (“ESG”) targets and similar features, settlement of financial liabilities through electronic payment systems; and additional disclosures regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent feature.

The amendments include clarifying the application of the ‘own-use’ requirements; permitting hedge accounting if these contracts are used as hedging instruments; and adding new disclosure requirements to enable investors to understand the effect of these contracts on Company’s financial performance and cash flows.

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

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

Amendments to HKFRS 9 and HKFRS 7 - Contracts Referencing Nature-dependent Electricity

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted.

Currently, the Group derecognises its financial liabilities upon the issuance of cheques to their creditors. Under the amendments, the Group as a debtor should derecognise trade payable on the settlement date, i.e. the date on which the creditor receives the cash, as oppose to when the Group issues the cheque. Similarly, the Group should derecognise a trade receivable upon receiving cash from the debtor after the cheque has been cleared by the bank. The Group is the process of reviewing the derecognition practices for financial assets and financial liabilities to ensure compliance; and assessing the impact of amendments to the Group's financial statements upon adoption.

Annual improvements to HKFRS Accounting Standards - Amendments to HKFRS 1 First time adoption of Hong Kong Financial Reporting Standards, HKFRS 7 Financial Instruments: Disclosure, HKFRS 9 Financial Instruments, HKFRS 10 Consolidated Financial Statements, HKAS 7 Statement of Cash Flows

The annual improvements contain narrow amendments to HKFRS Accounting Standards and accompanying guidance as part of its regular maintenance of the standards.

HKFRS 18 - Presentation and Disclosure in Financial Statements

HKFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 Presentation of Financial Statements. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 Statement of Cash Flows and HKAS 33 Earnings per Share are also made.

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

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

HKFRS 18 - Presentation and Disclosure in Financial Statements (Continued)

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The adoption of HKFRS 18 will not affect the recognition or measurement of items in the consolidated financial statements. It mainly has impacts on presentation and disclosure of income and expenses and adds new disclosure requirement on management-defined performance measures within the consolidated financial statements. So far, the Group considers that the impact of these new and amended standards on the Group's results of operations and financial position will not be material.

HKFRS 19 - Subsidiaries without public accountability: disclosures

HKFRS 19 specifies the disclosure requirements that an entity is permitted to apply to substitute the disclosure requirements in other HKFRS Accounting Standards. The Company's shares are listed and traded in The Stock Exchange of Hong Kong Limited. Therefore, it has public accountability according to HKFRS 19 and does not qualify for electing to apply the standard to prepare its 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 introduce new requirements on loss of control over assets in a transaction with an associate or joint venture. These requirements require the full gain to be recognised when the assets transferred meet the definition of a "business" under HKFRS 3, Business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have a material impact on the financial statements except amendments to HKFRS 18.

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.

	2025 HK\$'000	2024 HK\$'000
Major products/services lines		
Provision of printing income	1,560,691	1,738,350
Provision of publishing income	<u>846,522</u>	<u>930,236</u>
	<u>2,407,213</u>	<u>2,668,586</u>

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.

The CODM considers that the operation of the Group constitutes two operating and reportable segments as follows:

- (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 and corporate expenses are excluded from such measurement.

4. Segment information (Continued)

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	
	2025	2024	2025	2024	2025	2024	2025	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue								
- External	1,560,691	1,738,350	846,522	930,236	-	-	2,407,213	2,668,586
- Inter-segment	153,693	151,201	-	-	(153,693)	(151,201)	-	-
	1,714,384	1,889,551	846,522	930,236	(153,693)	(151,201)	2,407,213	2,668,586
Segment Result	232,330	244,612	48,172	99,379	-	-	280,502	343,991
Unallocated corporate expenses							(2,982)	(3,456)
Finance cost							(13,723)	(25,353)
Profit before income tax							263,797	315,182

	Printing		Publishing		Consolidation	
	2025	2024	2025	2024	2025	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other Segment Information:						
Additions to property, plant and equipment	71,941	36,086	497	473	72,438	36,559
Additions to right-of-use assets	8,101	7,263	6,411	-	14,512	7,263
Additions to pre-publication costs	-	-	137,256	137,802	137,256	137,802
Bank interest income	9,681	15,375	306	1,239	9,987	16,614
Loan interest income	66	66	-	-	66	66
Depreciation of property, plant and equipment	(47,350)	(43,066)	(2,515)	(2,483)	(49,865)	(45,549)
Depreciation of right-of-use assets	(34,287)	(32,226)	(9,909)	(10,221)	(44,196)	(42,447)
Amortisation of pre-publication cost	-	-	(127,116)	(116,145)	(127,116)	(116,145)
Write off of pre-publication cost	-	-	(6,354)	(4,208)	(6,354)	(4,208)
Reversal/(provision) of impairment to trade receivables, net	4,985	(2,417)	(127)	3,160	4,858	743
(Loss)/gain on financial assets at fair value through profit or loss	(266)	317	-	-	(266)	317

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)	
	2025	2024	2025	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States of America ("USA")	1,076,597	1,248,025	117,546	111,674
Australia	633,809	667,190	217,986	153,934
United Kingdom ("UK")	302,957	331,079	278,582	275,478
Spain	51,245	51,931	-	-
Canada	44,017	54,367	-	-
Germany	32,361	33,842	-	-
Italy	30,874	42,806	-	-
France	25,517	31,827	-	-
Chile	22,127	18,960	-	-
Netherlands	20,748	26,091	-	-
Ireland	16,982	11,783	-	-
New Zealand	14,392	9,083	-	-
PRC	9,313	10,566	211,863	192,747
Mexico	7,112	15,050	-	-
Singapore	4,409	10,169	191	360
Hong Kong (domicile)	1,687	1,092	97,609	95,999
Malaysia	79	211	76,703	68,103
Others	112,987	104,514	-	-
	<u>2,407,213</u>	<u>2,668,586</u>	<u>1,000,480</u>	<u>898,295</u>

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 in Hong Kong.

5. Other income

	2025 HK\$'000	2024 HK\$'000
Sales of scrapped paper and by-products	19,405	19,582
Sales commission	1,987	2,126
Bad debt recovered	71	294
Bank interest income	9,987	16,614
Gain on disposal of financial assets at fair value through profit or loss	-	317
Gain on disposals of property, plant and equipment	45	-
Government subsidies	1,488	1,385
Foreign exchange gain, net	28,580	14,507
Loan interest income	66	66
Gain on lease modification	-	81
Sundry income	1,885	3,676
	<u>63,514</u>	<u>58,648</u>

6. Finance costs

	2025 HK\$'000	2024 HK\$'000
Interest charges on bank borrowings, which contain repayment on demand clause	6,610	18,339
Interest on lease liabilities	7,100	6,736
Amortisation of debt issuance costs and bank fees	-	263
Interest on long service payment liabilities	13	15
	<u>13,723</u>	<u>25,353</u>

7. Profit before income tax

	2025 HK\$'000	2024 HK\$'000
Profit before income tax is arrived at after charging/ (crediting):		
Auditor's remuneration (Note (i) below)	5,887	5,774
Reversal of impairment on trade receivables	(4,858)	(743)
Cost of inventories recognised as direct operating costs	1,612,685	1,778,441
Provision/ (written back of) for inventories, net, included in cost of inventories recognised as direct operating costs	2,945	(711)
Depreciation of owned property, plant and equipment (Note (ii) below)	49,865	45,549
Depreciation of right-of-use assets (Note (ii) below)	44,196	42,447
Amortisation of pre-publication costs recognised as direct operating costs	127,116	116,145
Written off of pre-publication costs recognised as direct operating costs	6,354	4,208
Short-term leases expenses	2,386	2,536
Gain on lease modification	-	(81)
(Gain)/ loss on disposals of property, plant and equipment	(45)	346
Employee benefit expense, including directors' emoluments (Note (iii) below)	<u>525,213</u>	<u>519,480</u>

Notes:

(i) Auditor's remuneration for other non-audit services of HK\$147,000 was recognised during the year (2024: HK\$163,000).

(ii) Depreciation of owned property, plant and equipment of HK\$44,320,000 (2024: HK\$40,278,000) and HK\$5,545,000 (2024: HK\$5,271,000) have been included in cost of inventories recognised as direct operating costs and administrative expenses respectively.

Depreciation of right-of-use assets of HK\$23,862,000 (2024: HK\$21,480,000) and HK\$20,334,000 (2024: HK\$20,967,000) have been included in cost of inventories recognised as direct operating costs and administrative expenses respectively.

(iii) Employee benefit expense of HK\$293,039,000 (2024: HK\$278,398,000), HK\$118,478,000 (2024: HK\$118,808,000) and HK\$113,696,000 (2024: HK\$122,274,000) 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 2025 and 2024, 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% (2024: 30%), 25% (2024: 25%), 26% (2024: 26%) and 17% (2024: 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.

	2025 HK\$'000	2024 HK\$'000
Current tax - Hong Kong Profits Tax		
Tax for the year	23,280	20,271
(Over)/under provision in prior years	(175)	23
	<u>23,105</u>	<u>20,294</u>
Current tax - other overseas countries		
Tax for the year	35,126	45,809
Over provision in prior years	(2,124)	(3,070)
	<u>33,002</u>	<u>42,739</u>
Deferred tax		
Credited during the year	(4,684)	(1,443)
	<u>51,423</u>	<u>61,590</u>

9. Dividends and distribution

(i) Dividends and distribution attributable to the previous financial year, approved and paid during the interim period, including the interim dividend paid:

	2025 HK\$'000	2024 HK\$'000
Final dividend paid in respect of prior year of Nil (2024: HK\$0.08) per share	-	61,600
Second interim dividend paid in respect of prior year of HK\$0.08 (2024: Nil) per share	61,600	-
Special dividend paid in respect of prior year of HK\$0.02 (2024: Nil) per share	15,400	-
First interim dividend paid in respect of current year of HK\$0.03 (2024: HK\$0.03) per share	23,100	23,100
First special dividend paid in respect of current year of Nil (2024: HK\$0.015) per share	-	11,550
Dividend in respect of shares held under share awards scheme	(2,456)	(2,493)
	<u>97,644</u>	<u>93,757</u>

9. Dividends and distribution (Continued)

(ii) Dividends declared after the end of the reporting period:

	2025 HK\$'000	2024 HK\$'000
Second interim dividend declared of HK\$0.09 (2024: HK\$0.08) per share in lieu of final dividend (Note)	69,300	61,600
Second special dividend declared of Nil (2024: HK\$0.02) per share (Note)	-	15,400
	<u>69,300</u>	<u>77,000</u>

Note:

The amount of the second interim dividend declared for the year ended 31 December 2025, which will be payable in cash, has been calculated by reference to the 770,000,000 issued ordinary shares outstanding as at the date of this report. The second interim dividend and second special dividend are not reflected as dividend payable in the consolidated financial statements.

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\$187,668,000 (2024: HK\$214,406,000) 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 753,532,893 (2024: 750,088,248).

For the year ended 31 December 2025, the calculation of diluted earnings per share is based on the profit attributable to owners of the Company of approximately HK\$187,668,000 (2024: HK\$214,406,000) and on the following data:

	2025 Number of shares	2024 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	753,532,893	750,088,248
Effect of dilutive potential ordinary shares:		
- Share awards scheme	<u>7,060,095</u>	<u>8,471,432</u>
	<u>760,592,988</u>	<u>758,559,680</u>

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 2024									
Opening net book amount	11,098	12,342	4,224	1,283	13,992	3,070	2,027	207,876	255,912
Exchange differences	261	(340)	64	(24)	(256)	(49)	(49)	(7,602)	(7,995)
Additions	-	1,442	732	220	3,355	840	890	29,080	36,559
Disposals	-	-	-	(40)	-	(5)	(124)	(954)	(1,123)
Reclassification	(11,359)	11,359	-	-	-	-	-	-	-
Depreciation	-	(636)	(680)	(414)	(3,703)	(1,483)	(626)	(38,007)	(45,549)
Closing net book amount	-	24,167	4,340	1,025	13,388	2,373	2,118	190,393	237,804
At 31 December 2024									
Cost	-	42,953	11,187	9,005	85,905	19,942	5,813	534,094	708,899
Accumulated depreciation and impairment	-	(18,786)	(6,847)	(7,980)	(72,517)	(17,569)	(3,695)	(343,701)	(471,095)
Net book amount	-	24,167	4,340	1,025	13,388	2,373	2,118	190,393	237,804
Year ended 31 December 2025									
Opening net book amount	-	24,167	4,340	1,025	13,388	2,373	2,118	190,393	237,804
Exchange differences	-	1,784	364	38	745	117	81	10,195	13,324
Addition through acquisition of business (note 20)	-	-	-	39	39	-	161	20,960	21,199
Additions	-	5,456	754	351	10,519	1,177	-	54,181	72,438
Disposals	-	(14)	(1)	-	(18)	(11)	-	(1,524)	(1,568)
Depreciation	-	(1,086)	(890)	(380)	(4,260)	(1,320)	(722)	(41,207)	(49,865)
Closing net book amount	-	30,307	4,567	1,073	20,413	2,336	1,638	232,998	293,332
At 31 December 2025									
Cost	-	52,369	12,474	9,679	95,593	22,862	6,194	639,924	839,095
Accumulated depreciation and impairment	-	(22,062)	(7,907)	(8,606)	(75,180)	(20,526)	(4,556)	(406,926)	(545,763)
Net book amount	-	30,307	4,567	1,073	20,413	2,336	1,638	232,998	293,332

As at 31 December 2025 and 2024, the Group's land and buildings represented (1) freehold land and buildings of HK\$3,404,000 (2024: HK\$3,380,000), which are situated in Australia; and (2) leasehold buildings of HK\$26,903,000 (2024: HK\$20,787,000), which are situated in Malaysia.

As at 31 December 2024, the property in Malaysia is completed and available for use and the cost of the factory has been reclassified to land and buildings. No interest or borrowing costs was capitalised in 2024.

As at 31 December 2025 and 2024, the Group assessed the property, plant and equipment do not suffer any impairment.

12. Right-of-use assets

	Leasehold land HK\$'000	Leased properties HK\$'000	Plant and equipment HK\$'000	Total HK\$'000
At 1 January 2024	4,261	134,726	3,514	142,501
Additions	-	6,083	1,180	7,263
Depreciation	(146)	(41,057)	(1,244)	(42,447)
Lease modification	-	17,070	(230)	16,840
Exchange differences	80	(2,997)	(160)	(3,077)
At 31 December 2024 and at 1 January 2025	4,195	113,825	3,060	121,080
Additions	1,671	11,732	1,109	14,512
Addition through acquisition of business (Note 20)	-	7,281	-	7,281
Depreciation	(199)	(42,812)	(1,185)	(44,196)
Lease modification	-	43,334	59	43,393
Exchange differences	443	7,431	214	8,088
At 31 December 2025	6,110	140,791	3,257	150,158

The Group's leasehold land are situated in Malaysia with lease term expiring in 2054 - 2055.

13. Intangible assets

	Goodwill HK\$'000	Customer relationship HK\$'000	Pre- publication costs HK\$'000	Backlists HK\$'000	Software HK\$'000	Total HK\$'000
At 1 January 2024						
Cost	341,106	9,700	414,028	4	203	767,089
Amortisation and impairment	(19,775)	(9,700)	(218,825)	(4)	(203)	(250,555)
Net carrying amount	321,331	-	195,203	-	-	516,534
Year ended 31 December 2024						
Opening net carrying amount	321,331	-	195,203	-	-	516,534
Additions	-	-	137,802	-	-	137,802
Written off	-	-	(4,208)	-	-	(4,208)
Amortisation	-	-	(116,145)	-	-	(116,145)
Exchange differences	(6,894)	-	(1,556)	-	-	(8,450)
Closing net carrying amount	314,437	-	211,096	-	-	525,533
At 31 December 2024 and 1 January 2025						
Cost	334,212	9,700	538,674	4	203	884,841
Amortisation and impairment	(19,775)	(9,700)	(327,578)	(4)	(203)	(359,308)
Net carrying amount	314,437	-	211,096	-	-	525,533
Year ended 31 December 2025						
Opening net carrying amount	314,437	-	211,096	-	-	525,533
Additions	3,438	-	137,256	-	-	140,694
Written off	-	-	(6,354)	-	-	(6,354)
Amortisation	-	-	(127,116)	-	-	(127,116)
Exchange differences	7,879	-	8,680	-	-	16,559
Closing net carrying amount	325,754	-	223,562	-	-	549,316
At 31 December 2025						
Cost	345,529	9,700	727,056	4	203	1,082,492
Amortisation and impairment	(19,775)	(9,700)	(503,494)	(4)	(203)	(533,176)
Net carrying amount	325,754	-	223,562	-	-	549,316

14. Inventories

	2025 HK\$'000	2024 HK\$'000
Raw materials	208,712	212,732
Work-in-progress	45,940	58,992
Finished goods	156,403	156,061
Less: provision for obsolescence	<u>(41,431)</u>	<u>(37,147)</u>
	<u>369,624</u>	<u>390,638</u>

15. Trade and other receivables and deposits

Ageing analysis of gross carrying amount of trade receivables as at 31 December 2025, based on the invoice date, is as follows:

	2025 HK\$'000	2024 HK\$'000
0 - 30 days	211,873	226,997
31 - 60 days	161,944	177,857
61 - 90 days	96,367	88,746
91 - 120 days	51,955	71,627
121 - 150 days	19,076	28,998
Over 150 days	<u>21,710</u>	<u>57,518</u>
Total trade receivables	562,925	651,743
Less: Provision for impairment of trade receivables	<u>(16,932)</u>	<u>(22,590)</u>
Trade receivables - net	545,993	629,153
Other receivables and deposits - net	<u>121,702</u>	<u>130,974</u>
	<u>667,695</u>	<u>760,127</u>

In general, the Group allows a credit period from 30 to 150 days (2024: 30 to 150 days) to its customers.

16. Financial assets at fair value through profit or loss

	2025 Level 3 HK\$'000	2024 Level 3 HK\$'000
Financial assets at fair value through profit or loss:		
Investment of unlisted preference stock	<u>2,456</u>	<u>-</u>
Net fair values	<u>2,456</u>	<u>-</u>

17. Trade and other payables

As at 31 December 2025, ageing analysis of trade payables based on invoice date is as follows:

	2025 HK\$'000	2024 HK\$'000
0 - 30 days	80,381	91,177
31 - 60 days	29,615	27,941
61 - 90 days	10,942	14,621
91 - 120 days	10,895	12,336
Over 120 days	5,097	4,328
	<u>136,930</u>	<u>150,403</u>
Other payables and accruals - current	309,832	304,852
Other payables - non-current	8,041	-
	<u>454,803</u>	<u>455,255</u>

Credit terms granted by the suppliers are generally 0 to 90 days (2024: 0 to 90 days).

18. Bank borrowings

	2025 HK\$'000	2024 HK\$'000
Current portion		
- Bank loans due for repayment within one year or contain a repayment on demand clause	<u>49,337</u>	<u>163,878</u>

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:

	2025 HK\$'000	2024 HK\$'000
Within one year	49,337	126,211
In the second year	-	37,667
Wholly repayable within two years	<u>49,337</u>	<u>163,878</u>

19. Lease liabilities

	2025 HK\$'000	2024 HK\$'000
Balance as at 1 January	135,541	155,713
Addition through acquisition of business (note 20)	7,572	-
Additions	12,469	7,263
Lease modifications	43,393	16,759
Interest expense	7,100	6,736
Lease payments	(50,643)	(47,338)
Exchange adjustments	8,431	(3,592)
Balance as at 31 December	<u>163,863</u>	<u>135,541</u>
Represented by:		
Current liabilities	42,184	31,292
Non-current liabilities	<u>121,679</u>	<u>104,249</u>
	<u>163,863</u>	<u>135,541</u>

20. Acquisition of Business

On 5 May 2025, OPUS Group Pty. Ltd. (“OPUS”) and Marvel Printing Ltd, (“Marvel”), both indirect non-wholly owned subsidiary of the Company, entered into a business acquisition agreement (the “Acquisition Agreement”) with Marvel Bookbinding and Printfinishing Pty Ltd (the “Seller”), and Mr. Wayne Eastaugh, (“Mr. Wayne”), pursuant to which, Marvel has conditionally agreed to purchase and the Seller has conditionally agreed to sell the bookbinding and printfinishing business and assets at aggregate consideration with a maximum of AUD7,515,000 (equivalent to approximately HK\$36,974,000). The acquisition was completed on 16 May 2025 (the “Completion Date”).

At Completion Date, the estimated aggregate consideration comprised of (i) initial consideration of AUD3,000,000 (equivalent to approximately HK\$14,760,000); (ii) hire purchase reimbursement of AUD15,000 (equivalent to approximately HK\$74,000) and (iii) deferred consideration of AUD1,549,000 (equivalent to approximately HK\$7,622,000) (“Deferred Consideration”). The Deferred Consideration was measured at fair value based on the adjustment of the earn-out amount as stated in the Acquisition Agreement.

Pursuant to the Acquisition Agreement, an option (the “Option”) to acquire 25% of the issued shares in Marvel at consideration of AUD1,500,000 (equivalent to approximately HK\$7,380,000) was granted to Mr. Wayne and his son, Mr. Richard Eastaugh or an entity majority owned by either or both of them (the “Option Holder”), exercisable within the period commencing on the last day of the earn-out period and ending on the Deferred Consideration payment date. According to the Acquisition Agreement, if the Option Holder exercise the Option, the earn-out amount in the Deferred Consideration would be fixed at AUD1,500,000 (equivalent to approximately HK\$7,380,000).

As at the date of acquisition, management assessed the terms in the Acquisition Agreement, including the fair value of Deferred Consideration and the Option as at Completion Date and as at 30 June 2025, the management concluded that the Option Holder is unlikely to exercise the Option. As a result, no fair value of the Option was recognised at the Completion Date and as at the date of acquisition.

20. Acquisition of Business (Continued)

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

	HK\$'000	HK\$'000
Property, plant and equipment	21,199	
Right-of-use assets	7,281	
Deferred tax assets	3,019	
Inventories	1,328	
Other borrowings	(1,562)	
Lease liabilities	(7,572)	
Provisions	(2,491)	
Deferred tax liabilities	<u>(2,184)</u>	
Total identified assets and liabilities acquired		19,018
Cash consideration		14,834
Deferred consideration		<u>7,622</u>
Goodwill		<u><u>3,438</u></u>

Movement in deferred consideration during the year:

	2025 HK\$'000	2024 HK\$'000
Balance at 1 January	-	-
Initial recognition at acquisition date	7,622	-
Exchange differences	<u>419</u>	-
Balance at 31 December	<u><u>8,041</u></u>	<u><u>-</u></u>

CHAIRMAN'S STATEMENT

In 2025, the Group operated in a challenging environment characterised by tariff uncertainties and continued softness in the global illustrated book market. Group turnover declined by 9.8% to HK\$2,407.2 million (2024: HK\$2,668.6 million), and profit attributable to owners decreased by 12.5% to HK\$187.7 million (2024: HK\$214.4 million). Although these results reflect cyclical pressures and the ongoing strategic reset within our publishing business, the profitability of our core printing and print services management operations remained resilient.

Despite frequent changes in United States tariff policy, informational books remain exempt from the temporary global tariff of 10 percent implemented under Section 122, which took effect in February 2026 for 150 days. The Trump administration is expected to transition to new Section 301 tariffs following the mid-July expiry. Management is cautiously hopeful that informational books will continue to be exempt, consistent with previously concluded trade deals under the IEEPA tariff framework.

The Group maintained a robust balance sheet, with net cash position of approximately HK\$540.8 million, calculated as cash and cash equivalents less bank borrowings. This strong financial position, together with consistent earnings, provides us with the resilience to navigate industry headwinds and the capacity to emerge stronger in an increasingly competitive environment.

We remain focused on disciplined execution, strengthening our cost base, and investing in operational excellence. The Board is pleased to declare a second interim dividend of 9 cents per share, resulting in a full year dividend of 12 cents per share, reflecting our confidence in the Group's long-term prospects and our commitment to shareholder returns.

The Board also wishes to express its sincere gratitude to the late Mr. David Webb, a long-standing shareholder who recently passed away. His steadfast advocacy for strong corporate governance in Hong Kong encouraged us to enhance our practices, increase transparency, and strengthen oversight. We are grateful for his contributions and remain committed to upholding the high standards he championed.

Finally, I would like to express my sincere appreciation to all our staff for your hard work, dedication, and professionalism. Your commitment continues to be the driving force behind our achievements.

Lau Chuk Kin
Chairman
Hong Kong, 30 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's turnover decreased by 9.8% to HK\$2,407.2 million in 2025 (2024: HK\$2,668.6 million), primarily reflecting continued softness in the global illustrated book market and weakened consumer sentiment following the IEEPA fentanyl and reciprocal tariffs introduced by the Trump Administration in the second quarter of 2025.

Profit attributable to owners of the Company declined by 12.5% to HK\$187.7 million (2024: HK\$214.4 million). Although contributions from our print manufacturing and print services management operations were broadly consistent with last year, overall profit was adversely affected by reduced earnings from Quarto during its year of strategic reset.

Publishing houses adopted a more cautious approach to inventory management and have consequently reduced the volumes ordered. According to XPORT IQ, which tracks global freight and goods movements, shipments of books into the United States from the top 20 offshore printers declined by double-digit percentages in 2025 compared with 2024. This trend reflects both tighter ordering behaviour and a partial shift toward domestic production following the tariffs introduced by the Trump Administration in April 2025.

The global book market showed mixed results across major regions. The United States, the largest book market in the world, recorded a slight 0.4 percent year-on-year decline in printed book unit sales based on Circana BookScan data. Within the U.S. market, Adult Fiction grew by 0.6 percent, Children's Books increased by 1.2 percent, while Adult Non-fiction fell by 2.2 percent. Elsewhere, the United Kingdom saw a 2.5 percent decline in overall book sales, while Australia posted a 1.4 percent increase. Our publishing business underperformed relative to these trends, particularly within illustrated Adult Non-Fiction and Children's categories.

The book market in Mainland China market remained soft in 2025, with unit sales declining by 2.3 percent. As noted in our previous financial reports, prolonged domestic softness has driven indigenous Chinese printers to pursue overseas business, intensifying competition and exerting pressure on margins. This trend is evident in their increased presence at international book fairs and the more aggressive pricing now seen in the market. Despite these pressures, the Group maintained its gross margin performance through disciplined cost management and enhanced operational efficiency.

A. PRINT MANUFACTURING

1010 Printing:

Sales turnover of 1010 Printing in China declined by 17% year on year, reflecting reduced demand for offshore printing services from publishing clients. The Group's flagship manufacturing facility will mark its twentieth anniversary in 2026, and during the year we invested in new printing presses and completed a comprehensive upgrade of both the production areas and the dormitory facilities. As a result, we believe the plant now operates at world-class standards and ranks among the most efficient book printing facilities globally.

Throughout the period, we also worked closely with customers to mitigate the impact of the 7.5% Section 301 tariff applied to certain printed books, which contributed to some margin erosion. Overall profit increased, supported by favourable foreign-exchange movements, lower operating expenses, and reduced interest costs following the phased repayment of bank borrowings.

Left Field Printing Group:

Left Field Printing in Australia recorded a 4% decrease in turnover during the year. The division specialises in the production of read-for-pleasure books, technical journals, and printed materials for local government departments. Demand for read-for-pleasure books and technical journals remained broadly stable; however, the continued digitalisation of government services led to a further reduction in the volume of printed materials required, resulting in lower revenue for the period.

The integration of the recently acquired Marvel bookbinding business in Melbourne progressed smoothly. Its operations have been fully consolidated into those of Left Field, and the full complement of Marvel's staff has remained with the combined business.

The subsidiary experienced intermittent operational disruptions due to unplanned breakdowns of its ageing machinery. As previously disclosed, the Group is progressing with a multi-year investment programme to renew the equipment fleet. We have accelerated discussions with our customers to shape this plan, as the investment is critical to supporting a sustainable long-term operating model and maintaining the high levels of production efficiency our customers expect.

Papercraft:

Sales turnover at Papercraft in Malaysia increased by 6%, driven by expanded print service capacity and a shift in publishing clients away from China amid uncertainty surrounding US tariffs on Chinese products.

Papercraft, acquired as a subsidiary six years ago, has developed into one of Malaysia's leading book printers in quality control and delivery performance. Despite this progress, the business has not yet achieved the level of profitability we expect. Key operational challenges persist, particularly in production efficiency, raw material cost management, and overall production yield.

B.PRINT SERVICES MANAGEMENT

APOL Group

Sales turnover at APOL declined by 2%, primarily due to softer demand from the US and Australian markets, partially offset by stronger orders from the UK and EU. Profit recorded a modest increase, as reduced operating expenses effectively offset the decline in gross profit. Overall, the division delivered a highly satisfactory performance within the Group's printing segment.

Regent Publishing

Regent's sales turnover declined by 18%, reflecting continued softness in the US market, where the division primarily operates. Its focus on non-book products, categories that remain subject to US tariffs, made it particularly vulnerable to the downturn. At one point, tariff rates on China manufactured checker sets and playing cards reached 30 percent, while printed journals were subject to a 55 percent rate.

These elevated tariffs prompted clients to shift sourcing to alternative markets such as Vietnam and Thailand, impacting Regent's performance. Following the subsequent 10 percent reduction in China related IEEPA tariffs by the Trump administration, and as some clients returned to Chinese suppliers due to quality, scheduling, and reliability considerations, management expects a gradual recovery in performance.

Libermata

Libermata provides procurement consulting services for publishing houses. The division completed a procurement programme for a major trans Atlantic client in early 2025, delivering multi-million dollar savings. It is now partnering with Giunti Editore, one of Italy's largest publishing houses, to implement a procurement programme aimed at reducing both print and freight shipping costs.

Through its consulting led approach, Libermata helps publishers address critical production and logistics challenges while building long term strategic partnerships. This model deepens our understanding of client needs and positions us as part of their solution. Although customised solutions may place some pressure on printing margins, the strengthened client relationships and increased strategic relevance support a sustainable long term business model.

C.PUBLISHING

The Quarto Group

Quarto's revenue declined by 9% in 2025, reflecting both the softness in the global illustrated book market and the strategic reset of the business. Management is using this period to accelerate structural and process reorganisation, with a focus on strengthening financial discipline, improving operational agility, and enhancing sales and marketing effectiveness.

Despite the challenging conditions in the global book market, Quarto's foreign rights business remained a steady source of profit, supported by its strong network of international publishing clients. At the same time, the custom, proprietary, and value books segment delivered solid performance, underpinned by continued demand from major retail customers. Together, these segments provide a diversified and recurring revenue base that helps mitigate softness in traditional trade publishing.

STRATEGIC OUTLOOK

The United States remains the Group's largest revenue market, and U.S. tariff policy continues to be the most significant external trade factor affecting our operations. Following the Supreme Court's decision invalidating tariffs imposed under IEEPA, the administration implemented a temporary 10% Section 122 tariff for 150 days beginning in February 2026, from which informational books remain exempt. Upon expiry of Section 122, we expect the administration to revert to Section 301 to reintroduce tariffs on Chinese-manufactured goods. Although the structure of any revised Section 301 measures is not yet known, we remain cautiously optimistic that informational books will continue to be excluded, in line with their treatment under both IEEPA and Section 122.

Tariffs can erode the competitive position of Chinese printers in the U.S. market. However, given the hollowing out of the four colour printing industry in the United States, the substantially higher cost of domestic production, and the prevailing price differentials between Chinese and EU suppliers, we believe China based printers will remain competitive provided U.S. tariffs are applied consistently to books manufactured in both China and the EU, in accordance with the trade deals previously concluded by the Trump administration.

Our strategic investment in Papercraft also serves as an important hedge against future tariff risk. This investment has reinforced our core printing capabilities by giving our publishing partners a credible, non-China production alternative, an option that has been well-received by major publishing houses.

The European Parliament and Council have confirmed that printed books are exempt from the European Union Deforestation Regulation (EUDR). As a result, offshore book printers are no longer required to submit geolocation data or due-diligence statements for finished printed books imported into the EU market. This development is positive for offshore printers, as it allows them to remain competitive.

Freight shipping rates have remained subdued. The primary reason is structural overcapacity, as the global orderbook for new vessels remains exceptionally large, with many ships ordered during the supply chain disruptions of 2021–2022 now entering service. While the conflict in the Middle East may cause short-term fluctuations, the influx of new capacity continues to outpace demand, and we expect subdued freight costs to persist as U.S. tariff policy continues to dampen global trade volumes.

Chinese printers continue to compete aggressively for overseas book printing orders in a soft domestic economy. This challenging environment is likely to persist until supply and demand rebalance, potentially through market consolidation and the exit of less competitive operators. To further mitigate pricing pressure, we are driving production workflow optimisation through an ongoing revamp of our ERP and CRM systems with expanded AI capabilities, particularly in capacity planning and scheduling, and evaluating longer term automation technologies to support a highly efficient factory floor.

In the illustrated book market, publishers continue to face opposing pressures as royalty costs for established authors, photographers, and illustrators have risen sharply, about 30 percent since COVID, while pricing power remains limited. In response, our publishing business is rightsizing operations and prioritising emerging authors and illustrators, where advances are more sustainable. We are cultivating a broader pipeline of new creative talent. This approach not only reduces dependence on high profile, agent represented contributors but also positions the business to develop fresh voices and build more balanced, resilient publishing lists over time.

NEAR-TERM PROSPECT

The Group continues to operate in a market shaped by geopolitical and macroeconomic uncertainties beyond our control, including conflicts in the Middle East and Ukraine, rising tensions in the South China Sea, and broader global risk factors. While these headwinds present challenges for the industry, we remain focused on the factors within our influence, taking disciplined and proactive steps across the organisation to strengthen operational resilience and maintain competitiveness.

In our asset light print management operations, we have executed targeted cost reduction initiatives to protect margins, including streamlining headcount, shifting selected functions to lower cost locations in Mainland China, and automating key business processes. These measures enhance efficiency, reduce manual workload, and ensure that the business remains agile and scalable in a rapidly evolving environment.

Our asset heavy printing operations are progressing through a comprehensive efficiency programme aimed at long term competitiveness. Leveraging our strong net cash position, we are selectively upgrading our equipment fleet at a time when many competitors are holding back on capital expenditure. This has enabled us to secure high quality machines on favourable terms when original buyers withdrew, and to attract experienced workers as peers scale down. Our solid balance sheet has therefore become a strategic advantage, enabling us to pursue growth opportunities even amid uncertainty.

Our publishing business at Quarto has continued its strategic reset, with a strong emphasis on reinforcing financial discipline, strengthening core processes, and broadening our revenue streams. Although the outlook for the illustrated book market remains uncertain, we expect improved profitability compared with 2025, supported by initiatives designed to reduce pre-publication and printing costs.

As noted last year, Quarto has been working with an external consultancy to develop AI enabled tools that modernise and enhance key publishing workflows. These tools have already improved the efficiency of product discoverability and strengthened the effectiveness of our advertising activities. We will continue to deepen our use of AI and further expand these capabilities across the publishing process.

Looking ahead, the Group remains confident in its ability to deliver sustainable progress. Our strong financial footing allows us to invest through the cycle, upgrade our printing capabilities, and pursue acquisition opportunities in publishing at reasonable price points. The operational enhancements underway across both segments, supported by greater automation, AI driven tools, and disciplined cost structures, will further strengthen our competitiveness. As market pressures gradually give way to improved balance between supply and demand, we believe the Group is well positioned to capture growth and deliver long term value for our shareholders.

FINANCIAL REVIEW

Turnover for the year ended 31 December 2025 was approximately HK\$2,407.2 million and represented a decrease of 9.8% from previous corresponding year (2024: HK\$2,668.6 million). Turnover from the printing segment dropped by 10.2% due to weakened demand in the global book market, particularly in the US, attributed to tariff-related uncertainties. Turnover from the publishing segment declined by 9.0%, driven by the downturn in the global illustrative book market.

The overall gross profit margin in 2025 remained broadly stable compared with previous year. Margin in the printing segment improved, primarily due to lower material costs and enhanced operational efficiency. This positive impact was offset by a reduced margin in the publishing segment, which was affected by higher book development costs incurred.

Other income increased to approximately HK\$63.5 million for the year ended 31 December 2025, as compared to approximately HK\$58.6 million for the previous year. The increase was primarily caused by an increase in exchange gain of HK\$14.1 million, driven by the appreciation of foreign currency-denominated assets and receipts. This was partially offset by the decrease in interest income resulted from lower bank deposit rates.

Selling and distribution costs decreased from approximately HK\$377.5 million for the year ended 31 December 2024 to approximately HK\$371.2 million in 2025. Selling and distribution costs against sales increased from 14.1% to 15.4%. The increase was attributed to the higher staff costs ratio against decreased sales for the year, as well as a higher warehouse fulfillment and title marketing expenses in the publishing segment.

Administrative expenses decreased to approximately HK\$214.2 million for the year ended 31 December 2025, compared with HK\$231.5 million in 2024. The reduction was mainly attributable to stringent cost control measures implemented in the publishing segment, including a strategic reset that reduced management-level and administrative staff expenses, alternative supplier sourcing that lowered insurance and postage costs, and the adoption of in-house developed title management system that lessened external system service fees. In addition, higher legal and professional fees were incurred in 2024 in connection with corporate projects on de-listing, tender offer and share repurchase of The Quarto Group, Inc.

Reversal of impairment of trade receivables of approximately HK\$4.9 million was recognized for the year ended 31 December 2025, as compared to a reversal of HK\$0.7 million in 2024. This was due to a decrease in overall exposure in credit risk following gradual recovery of slow payment customers.

Finance costs decreased from approximately HK\$25.4 million in 2024 to approximately HK\$13.7 million in 2025. The decrease was attributed to the gradual repayment of bank borrowings and the decrease in interest rates during the year.

Income tax expenses decreased to HK\$51.4 million for the year ended 31 December 2025 (2024: HK\$61.6 million), being in line with the decrease in profit for the year.

Profit attributable to owners of the Company amounted to approximately HK\$187.7 million for the year ended 31 December 2025, compared with approximately HK\$214.4 million for the year ended 31 December 2024.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2025, the Group had net current assets of approximately HK\$1,032.0 million (2024: HK\$947.7 million) of which the cash and cash equivalents were approximately HK\$590.1 million (2024: HK\$500.5 million). The Group's current ratio was approximately 2.7 (2024: 2.3).

Total bank borrowings and lease liabilities as at 31 December 2025 were approximately HK\$213.2 million (2024: HK\$299.4 million). Bank borrowings of HK\$37.7 million were denominated in Hong Kong dollars and HK\$11.6 million was denominated in US dollars. All bank borrowings were carried at floating rates repayable within two years. The Group's gearing ratio as at 31 December 2025 was 11.2% (31 December 2024: 17.2%), 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\$72.4 million. The purchase is mainly financed by internal resources. The carrying amount of right-of-use assets as at 31 December 2025 was approximately HK\$150.2 million.

PLEDGE OF ASSETS

As at 31 December 2025, the Group had pledged deposit of approximately HK\$0.2 million (2024: HK\$0.2 million) as a security for the banking guarantee facilities of a subsidiary.

CONTINGENT LIABILITIES

As at 31 December 2025, the Group had no material contingent liabilities.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2025, the Group had around 1,803 full-time employees (2024: 1,817). 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 share award, provident fund, insurance and medical cover.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare the payment of a second interim dividend of HK\$0.09 (the "Second Interim Dividend") per share for the year ended 31 December 2025 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 17 April 2026.

The register of members will be closed on 17 April 2026 and no transfer of shares will be registered on such day. To qualify for the Second Interim 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 16 April 2026. The Second Interim Dividend is expected to be paid and dispatched on 30 April 2026.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2025, the trustee of share award scheme of the Company sold an aggregate of 1,000,000 shares of the Company at approximately HK\$1,396,000. Save as above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year.

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, Mr. Ho Tai Wai, David, Prof. Lee Hau Leung, Mr. Ng Siu On and Ms. Ng Cheuk Hei, Shirley 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 2025.

On behalf of the Board

Lau Chuk Kin

Chairman

Hong Kong, 30 March 2026

As at the date of this announcement, the Board comprises Mr. Lau Chuk Kin and Mr. Wong Sai Yeung, Colin as executive directors; Mr. Li Hoi, David, Mr. Guo Junsheng and Mr. Wan Siu Kau as non-executive directors; Prof. Lee Hau Leung, Mr. Ho Tai Wai, David, Mr. Ng Siu On and Ms. Ng Cheuk Hei, Shirley 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 2025 of the Company will also be published on the aforesaid websites in due course.