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 2022

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 2022, together with the comparative figures for the year ended 31 December 2021 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	3	2,496,089	1,737,616
Direct operating costs		(1,664,664)	(1,290,531)
Gross profit		831,425	447,085
Other income	5	110,670	46,559
Selling and distribution costs		(346,275)	(209,129)
Administrative expenses		(180,118)	(109,215)
Impairment loss of intangible assets		-	(18,481)
Impairment loss of property, plant and equipment	11	(23,742)	-
Impairment loss of right-of-use assets	12	(4,739)	-
(Provision for)/ reversal of impairment of trade receivables and other receivables, net		(30,713)	2,899
Reversal of/(provision for) impairment of loans to an associate		2,600	(1,600)
Share of profit of an associate		6,503	27,536
Finance costs	6	(18,093)	(8,524)
Profit before income tax	7	347,518	177,130
Income tax expense	8	(61,709)	(35,105)
Profit for the year		285,809	142,025

* *For identification purpose only*

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2022 (Continued)

	Notes	2022 HK$'000	2021 HK$'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		(39,377)	(16,027)
Share of other comprehensive income of an associate		(2,878)	(1,108)
Release upon step acquisition of a subsidiary		5,929	-
Other comprehensive income for the year, net of tax		(36,326)	(17,135)
Total comprehensive income for the year		249,483	124,890
Profit for the year attributable to:			
Owners of the Company		219,911	132,491
Non-controlling interests		65,898	9,534
		285,809	142,025
Total comprehensive income attributable to:			
Owners of the Company		192,005	121,614
Non-controlling interests		57,478	3,276
		249,483	124,890
Earnings per share for profit attributable to owners of the Company during the year	10		
Basic		HK29.70 cents	HK17.89 cents
Diluted		HK29.34 cents	HK17.77 cents

Consolidated Statement of Financial Position
As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	224,642	214,359
Deposits for acquisition of property, plant and equipment		24,026	3,399
Right-of-use assets	12	103,216	71,518
Intangible assets	13	521,980	177,925
Interest in an associate	14	-	189,134
Loans to an associate	14	-	129,490
Lease receivables		533	1,698
Deferred tax assets		42,102	23,200
		916,499	810,723
Current assets			
Inventories	15	436,355	240,605
Trade and other receivables and deposits	16	671,007	539,200
Lease receivables		1,165	1,142
Financial assets at fair value through profit or loss	17	11	37
Tax recoverable		2,415	4,217
Pledged deposits		147	156
Cash and cash equivalents		770,217	431,920
		1,881,317	1,217,277
Current liabilities			
Trade and other payables	18	478,954	288,934
Bank borrowings	19	428,352	261,967
Lease liabilities	20	36,390	29,908
Provisions		31,755	25,508
Provision for taxation		36,570	15,909
		1,012,021	622,226
Net current assets		869,296	595,051
Total assets less current liabilities		1,785,795	1,405,774
Non-current liabilities			
Bank borrowings	19	10,135	-
Provisions		2,713	1,504
Lease liabilities	20	77,089	43,821
Deferred tax liabilities		40,897	12,910
		130,834	58,235
Net assets		1,654,961	1,347,539
EQUITY			
Share capital		7,700	7,700
Reserves		1,350,268	1,223,463
Equity attributable to owners of the Company		1,357,968	1,231,163
Non-controlling interests		296,993	116,376
Total equity		1,654,961	1,347,539

Consolidated Statement of Changes in Equity
For the year ended 31 December 2022

	Attributable to owners of the Company													Non-controlling interests	Total equity
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Merger reserve HK$'000	Contributed surplus HK$'000	Put option reserve HK$'000	Statutory reserve HK$'000	Other reserve HK$'000	Employee compensation reserve HK$'000	Share award scheme reserve HK$'000	Proposed 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 a subsidiary	-	-	-	-	-	-	-	(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

Consolidated Statement of Changes in Equity
For the year ended 31 December 2022 (Continued)

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

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 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS Standards	Annual Improvements to HKFRSs 2018-2020 Cycle – Amendments to HKFRS 9 "Financial Instruments"
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021

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 except for the amendment to HKFRS 16, COVID -19-Related Rent Concessions beyond 30 June 2021. Impact on the applications of these amended HKFRSs are summarised below.

Amendments to HKAS 16 - Property, Plant and Equipment: Proceeds before intended use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. Instead, the related sales proceeds together with the costs of providing these items as determined by HKAS 2 "Inventories", are to be included in profit and loss.

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

2.1 Adoption of new or amended HKFRSs (Continued)

Amendments to HKAS 37 - Onerous Contracts - Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Annual Improvements to HKFRSs 2018-2020 Cycle - Amendments to HKFRS 9 "Financial Instruments"

The amendment clarifies that only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf, are included when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendments to HKFRS 3 – Reference to the Conceptual Framework

The amendments update the reference to the latest version of Conceptual Framework issued in March 2018, and add an exception to the requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability.

The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" ("HKAS 37") or HK(IFRIC)-Int 21 "Levies" ("HK(IFRIC)-Int 21") if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 "Business Combinations" should apply the criteria in HKAS 37 or HK(IFRIC)-Int 21 respectively (instead of the Conceptual Framework) to determine whether a present obligation exists at the acquisition date.

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

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

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

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

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

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

The application of these amendments have had no material impact on the Group's financial positions and performance for the current and prior years.

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

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

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

Amendments to HKAS 1	Presentation of financial statements: Classification of liabilities as current or non-current[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] No mandatory effective date yet determined but available for adoption.

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.

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.

	2022 HK$'000	2021 HK$'000
Major products/services lines		
Provision of printing income	1,620,197	1,737,616
Provision of publishing income	875,892	-
	2,496,089	1,737,616

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	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK$’000	HK$’000	HK$’000	HK$’000	HK$’000	HK$’000	HK$’000	HK$’000
Revenue								
- External	1,620,197	1,737,616	875,892	-	-	-	2,496,089	1,737,616
- Inter-segment	131,198	-	-	-	(131,198)	-	-	-
	1,751,395	1,737,616	875,892	-	(131,198)	-	2,496,089	1,737,616
Segment Result	182,429	162,346	147,060	-	(482)	-	329,007	162,346
Reversal of/(provision for) impairment of loan to an associate							2,600	(1,600)
Fair value gain on disposal of an associate							31,285	-
Unallocated corporate expenses							(3,784)	(2,628)
Share of profit of associate							6,503	27,536
Finance cost							(18,093)	(8,524)
Profit before income tax							347,518	177,130

4. Segment information (Continued)

Other Segment Information:

	Printing		Publishing		Unallocated		Consolidation	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Additions to property, plant and equipment	75,061	47,382	9,488	-	-	-	84,549	47,382
Additions to right-of-use assets	38,234	10,459	28,520	-	-	-	66,754	10,459
Bank interest income	3,156	1,721	1	-	-	-	3,157	1,721
Loan interest income	4,269	3,593	-	-			4,269	3,593
Depreciation of property, plant and equipment	(40,174)	(41,797)	(3,161)	-	-	-	(43,335)	(41,797)
Depreciation of right-of-use assets	(37,213)	(31,001)	(10,555)	-	-	-	(47,768)	(31,001)
Amortisation of intangible assets, less pre-publication cost	-	-	(1,596)	-	-	-	(1,596)	-
Amortisation of pre-publication cost	-	-	(104,027)	-	-	-	(104,027)	-
Impairment of right-of-use assets	(2,974)	-	(1,765)	-	-	-	(4,739)	-
(Provision for)/reversal of impairment to trade receivables and other receivables, net	(14,536)	2,899	(16,177)	-	-	-	(30,713)	2,899
Loss on financial assets at fair value through profit or loss	(2,634)	-	-	-	-	-	(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, lease receivables, interests in an associate and loan to an associate)	
	2022	2021	2022	2021
	HK$'000	HK$'000	HK$'000	HK$'000
PRC	8,928	-	153,864	147,181
United States of America ("USA")	1,244,789	856,632	126,309	493
Australia	652,367	523,742	174,710	149,766
United Kingdom ("UK")	278,243	248,626	271,549	2
Spain	49,664	46,149	-	-
Canada	42,984	14,060	-	-
France	28,242	-	-	
Germany	21,515	14,853	-	-
Italy	13,591	-	-	
Netherland	12,748	-	-	-
New Zealand	12,451	15,380	-	-
Ireland	12,050	-	-	-
Chile	10,790	6,161	-	-
Singapore	7,773	8,266	10,519	25,088
Hong Kong (domicile)	1,983	65	94,589	96,833
Malaysia	281	104	42,324	66,319
Others	97,690	3,578	-	-
	2,496,089	1,737,616	873,864	485,682

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

	2022 HK$'000	2021 HK$'000
Sales of scrapped paper and by-products	22,478	24,450
Sales commission	3,491	-
Bad debt recovered	16,938	3
Impairment of trade receivables recovered	-	180
Bank interest income	3,157	1,721
Interest income on lease receivables	48	74
Gain on disposal of financial assets at fair value through profit or loss	3,298	4,231
Gain on deregistration of a subsidiary	-	28
Gain on disposal of an associate	31,285	-
Gain on disposals of property, plant and equipment	6,751	200
Government subsidies	4,715	3,972
Foreign exchange gain, net	2,406	4,586
Loan interest income	4,269	3,593
Reversal of over provision on lease dilapidation	980	-
Debt forgiveness	4,484	-
Sundry income	6,370	3,521
	110,670	46,559

6. Finance costs

	2022 HK$'000	2021 HK$'000
Interest charges on bank borrowings, which contain repayment on demand clause	12,611	4,696
Interest on lease liabilities	5,004	3,731
Imputed interest on financial liabilities arising from put option	-	97
Amortisation of debt issuance costs and bank fees	478	-
	18,093	8,524

7. Profit before income tax

	2022 HK$'000	2021 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration (Note (i) below)	5,642	2,253
Provision for/(reversal of) impairment on trade and other receivables	30,713	(2,899)
Reversal of /(provision for) impairment of loans to an associate	2,600	(1,600)
Cost of inventories recognised as direct operating costs	1,664,664	1,290,531
Provision for/(written back of) inventories, net, included in cost of inventories recognised as direct operating costs	14,072	(2,926)
Depreciation of owned property, plant and equipment (Note (ii) below)	43,335	41,797
Depreciation of right-of-use assets (Note (ii) below)	47,768	31,001
Amortisation of intangible assets, less amortisation of pre-publication cost	1,596	-
Amortisation of pre-publication costs recognised as direct operating costs	104,027	-
Written off of pre-publication costs recognised as direct operating costs	19,684	-
Short-term leases expenses	4,396	2,743
Gain on disposal of an associate	(31,285)	-
Loss on lease modification	950	-
Loss on financial assets at fair value through profit or loss	2,635	-
Loan interest income	(4,269)	(3,593)
Debt forgiveness	(4,484)	-
Employee benefit expense, including directors' emoluments (Note (iii) below)	522,947	355,977

Notes:

(i) Auditor's remuneration for other non-audit services of HK$782,000 was recognised during the year (2021: HK$205,000).

(ii) Depreciation of owned property, plant and equipment of HK$35,728,000 (2021: HK$37,553,000) and HK$7,607,000 (2021: HK$4,244,000) have been included in cost of inventories recognised as direct operating costs and administrative expenses respectively.

Depreciation of right-of-use assets of HK$26,035,000 (2021: HK$20,095,000) and HK$21,733,000 (2021: HK$10,906,000) have been included in cost of inventories recognised as direct operating costs and administrative expenses respectively.

(iii) Employee benefit expense of HK$309,629,000 (2021: HK$229,763,000), HK$111,723,000 (2021: HK$60,695,000) and HK$101,595,000 (2021: HK$65,519,000) 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 2022 and 2021, 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 with 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 and USA are subject to domestic tax rate of 30% (2021: 30%), 19% (2021: nil) and 27% (2021: nil) 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.

	2022 HK$'000	2021 HK$'000
Current tax - Hong Kong profits tax		
Tax for the year	27,368	27,399
Over provision in prior years	(10)	(1,879)
	27,358	25,520
Current tax – Australia		
Tax for the year	5,219	6,334
Over provision in prior years	(388)	-
	4,831	6,334
Current tax – other overseas countries		
Tax for the year	22,703	474
Under provision in prior years	-	140
	22,703	614
Deferred tax		
Charged during the year	6,817	2,637
	61,709	35,105

9. Dividends

	2022 HK$'000	2021 HK$'000
Final dividend paid in respect of prior year of HK$0.06 (2021: HK$0.05) per share	46,200	38,500
Interim dividend paid in respect of current year of HK$0.03 (2021: HK$0.03) per share	23,100	23,100
Dividend in respect of shares held under share award scheme	(2,662)	(2,367)
	66,638	59,233

At a meeting held on 31 March 2023, the directors recommended a final dividend of HK$0.07 per ordinary share and a special dividend of HK$0.03 per ordinary share, amounting to approximately HK$53,900,000 and HK$23,100,000 correspondingly, in aggregate based on the total number of ordinary shares in issue at that date. This proposed final dividend and special 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 2022.

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$219,911,000 (2021: HK$132,491,000) and on the weighted average number of ordinary shares in issue less shares held under share award scheme that have not been vested unconditionally to the employees during the year of 740,417,090 (2021: 740,417,090).

For the year ended 31 December 2022, the calculation of diluted earnings per share is based on the profit attributable to owners of the Company of approximately HK$219,911,000 and on the following data:

	2022 Number of shares	2021 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	740,417,090	740,417,090
Effect of dilutive potential ordinary shares:		
- Share awards	9,167,315	5,063,805
	749,584,405	745,480,895

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 2021									
Opening net book amount	-	14,202	407	2,734	7,228	963	2,214	182,014	209,762
Exchange differences	-	(618)	(12)	1	106	(33)	(17)	392	(181)
Additions	-	6,535	206	783	6,186	433	918	32,321	47,382
Disposals	-	-	(7)	-	(15)	-	(320)	(465)	(807)
Depreciation	-	(1,173)	(145)	(771)	(3,171)	(560)	(751)	(35,226)	(41,797)
Closing net book amount	-	18,946	449	2,747	10,334	803	2,044	179,036	214,359
At 31 December 2021									
Cost	-	27,026	5,495	10,502	71,737	17,430	6,759	480,422	619,371
Accumulated depreciation	-	(8,080)	(5,046)	(7,755)	(61,403)	(16,627)	(4,715)	(301,386)	(405,012)
Net book amount	-	18,946	449	2,747	10,334	803	2,044	179,036	214,359
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 (Note 21)	-	-	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

11. Property, plant and equipment (Continued)

As at 31 December 2022 and 2021, the Group's land and buildings represented (1) freehold land and buildings of HK$4,322,000 (2021: HK$3,874,000), which are situated in Australia; and (2) leasehold buildings of HK$8,620,000 (2021: HK$15,072,000), which are situated in Malaysia.

As at 31 December 2022, the net book value of assets under construction includes an amount of HK$6,362,000 (2021: nil) relating to the Group's new printing factory, which is currently under construction situated in Malaysia.

As at 31 December 2022, the Group assessed the impairment of property plant and equipment under one of the cash generating unit, represented by C.O.S. Printers Pte. Ltd and Papercraft Sdn. Bhd. ("Papercraft CGU Group"), and a provision for impairment of HK$23,742,000 (2021: nil) on certain construction in progress, land and buildings, furniture and fixtures and machinery was made after the assessment.

12. Right-of-use assets

	Leasehold land HK$'000	Leased properties HK$'000	Plant and equipment HK$'000	Total HK$'000
At 1 January 2021	5,781	88,939	1,846	96,566
Adjustments arising from sub-leases	-	(3,663)	-	(3,663)
Additions	2,562	7,894	3	10,459
Depreciation	(230)	(29,667)	(1,104)	(31,001)
Exchange differences	(143)	(641)	(59)	(843)
At 31 December 2021 and at 1 January 2022	7,970	62,862	686	71,518
Acquired through business combinations (Note 21)	-	36,380	609	36,989
Additions	-	42,627	24,127	66,754
Depreciation	(243)	(40,832)	(6,693)	(47,768)
Impairment loss	(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	4,546	91,093	7,577	103,216

As at 31 December 2022, the Group's leasehold land are situated in Malaysia with lease term expiring in 2054 - 2055.

As at 31 December 2022, the Group assessed the impairment of right-of-use assets under the Papercraft CGU Group, and a provision for impairment of HK$2,974,000 (2021: nil) on certain leasehold land was made after the assessment.

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 (2021: nil) 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 2021							
Cost	203,735	9,700	-	-	-	-	213,435
Amortisation and impairment	(1,294)	(9,700)	-	-	-	-	(10,994)
Net carrying amount	202,441	-	-	-	-	-	202,441
Year ended 31 December 2020							
Opening net carrying amount	202,441	-	-	-	-	-	202,441
Impairment for the year	(18,481)	-	-	-	-	-	(18,481)
Exchange differences	(6,035)	-	-	-	-	-	(6,035)
Closing net carrying amount	177,925	-	-	-	-	-	177,925
At 31 December 2021 and 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 (Note 21)	-	-	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							
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

14. Interest in an associate/loans to an associate

	2022 HK$'000	2021 HK$'000
Interest in an associate (non-current assets):		
Share of net assets other than goodwill	-	108,682
Goodwill	-	80,452
	-	189,134
Loans to an associate:		
Advances to an associate	-	132,090
Expected credit loss	-	(2,600)
	-	129,490

During the period from 1 January 2022 up to 26 January 2022, the Group further increased its shareholdings from 41.2% to 44.6% in Quarto with a total consideration of HK$19,280,000 through the open market purchases of shares of Quarto.

On 1 April 2022, the Group acquired 4.6% of the issued share of Quarto from an independent third party, at a consideration of HK$23,130,000 (the "Acquisition of Quarto Shares"). After the Acquisition of Quarto Shares, the Group became interested in 49.2% of the equity interest in Quarto. The Directors considered Quarto as a subsidiary of the Company as the Group gained control over Quarto thereafter.

The Acquisition of Quarto Shares resulted in the disposal of the interest in an associate. The Group re-measured the fair value of its previously held equity interest in Quarto as at the date of the disposal. The excess of the fair value of the previously held equity interest over the carrying value of Quarto of HK$31,285,000 was recognised as gain on disposal of investment in an associate included in "Other income" in the consolidated statement of profit or loss and other comprehensive income.

	HK$'000
Fair value of previously held equity interest	248,942
Less: carrying amount of previous equity interest	(211,728)
	37,214
Release of exchange reserve	(5,929)
Gain on disposal of an associate	31,285

15. Inventories

	2022 HK$'000	2021 HK$'000
Raw materials	208,394	176,240
Work-in-progress	64,689	66,086
Finished goods	188,943	10,728
Less: provision for obsolescence	(25,671)	(12,449)
	436,355	240,605

16. Trade and other receivables and deposits

Ageing analysis of gross carrying amount of trade receivables as at 31 December 2022, based on the invoice date, is as follows:

	2022 HK$'000	2021 HK$'000
0 – 30 days	219,125	178,319
31 – 60 days	181,823	132,908
61 – 90 days	111,215	59,147
91 – 120 days	49,004	47,446
121 – 150 days	10,841	30,924
Over 150 days	36,784	60,911
Total trade receivables	608,792	509,655
Less: Provision for impairment of trade receivables	(30,420)	(15,338)
Trade receivables - net	578,372	494,317
Other receivables and deposits - net	92,635	44,883
	671,007	539,200

In general, the Group allows a credit period from 30 to 150 days (2021: 30 to 150 days) to its customers.

17. Financial assets at fair value through profit or loss

	2022		2021	
	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	11	-	37	-
Net fair values	11	-	37	-

18. Trade and other payables

As at 31 December 2022, ageing analysis of trade payables based on invoice date is as follows:

	2022 HK$'000	2021 HK$'000
0 – 30 days	89,281	64,335
31 – 60 days	31,433	36,243
61 – 90 days	13,170	12,780
91 - 120 days	8,632	2,892
Over 120 days	4,431	870
	146,947	117,120
Other payables and accruals	332,007	171,814
	478,954	288,934

Credit terms granted by the suppliers are generally 0 to 90 days (2021: 0 to 90 days).

19. Bank borrowings

	2022 HK$'000	2021 HK$'000
Current portion		
- Bank loans due for repayment within one year or contain a repayment on demand clause	428,352	261,967
Non-current portion		
- Bank loans due for repayment in the second year	10,135	-
Total bank borrowings	438,487	261,967

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:

	2022 HK$'000	2021 HK$'000
Within one year	216,232	108,464
In the second year	160,135	101,989
In the third to fifth year	62,120	51,514
Wholly repayable within five years	438,487	261,967

20. Lease liabilities

	2022 HK$'000	2021 HK$'000
Balance as at 1 January	73,729	98,884
Acquired through business combination (Note 21)	40,029	-
Additions	64,346	7,897
Lease modification	(16,876)	-
Interest expense	5,004	3,731
Lease payments	(50,198)	(36,129)
Exchange adjustments	(2,555)	(654)
Balance as at 31 December	113,479	73,729
Represented by:		
Current liabilities	36,390	29,908
Non-current liabilities	77,089	43,821
	113,479	73,729

21. Business combination

(a) Acquisition of Quarto

On 1 April 2022, the Group acquired 4.6% of the issued share of Quarto from an independent third party, at a consideration of HK$23,130,000. Quarto is a company incorporated in the United States with its shares listed on the Main Market of the London Stock Exchange. Quarto is principally engaged in illustrated book publishing. After the Acquisition, the Group held 49.2% of the equity interest in Quarto. The Directors considered Quarto as a subsidiary of the Company as the Group gained control over Quarto thereafter. The principal reason for this acquisition was establish the Group's diversification strategy to establish the publishing business to generate synergistic value and bring in additional potential revenue for the book printing segment of the Group.

Details of the fair value of identifiable assets and liabilities of Quarto acquired, purchase consideration and goodwill arising from the acquisition were as follows:

	HK$'000
Property, plant and equipment	4,409
Right-of-use assets	32,892
Other intangible assets	224,636
Inventories	165,955
Trade and other receivables	307,981
Cash and bank balances	84,299
Trade and other payables	(332,209)
Bank and other borrowings	(105,174)
Lease liabilities	(35,932)
Provisions for taxation	(66,417)
Deferred tax liabilities	(6,896)
Identifiable assets acquired and liabilities assumed	273,544
Non-controlling interest's proportionate share in identifiable assets	(138,859)
Fair value of net assets acquired	134,685

21. Business combination (Continued)

(a) Acquisition of Quarto (Continued)

	HK$'000
Fair value of net assets acquired	134,685
Purchase consideration – cash paid during the year	23,130
Fair value of previously held equity interest	248,942
Goodwill (Note 13)	137,387

Between 1 April 2022 and 31 December 2022, the Group further increased its shareholdings in Quarto with a total consideration of HK$5,898,000 through the open market and independent third parties to purchases the shares of Quarto.

(b) Acquisition of book printing business

On 24 May 2022, OPUS Group Pty Limited ("OPUS"), a non-wholly owned subsidiary of the Company, entered into a business acquisition agreement with Ovato Limited ("Ovato"), an independent third party, pursuant to which, OPUS has conditionally agreed to purchase and Ovato has conditionally agreed to sell its book printing business at an initial consideration of AUD8,500,000 (equivalent to approximately HK$47,175,000, subject to adjustments as the note below) ("Acquisition of Business"). As all conditions precedent to the business acquisition agreement have been satisfied or waived in accordance with the terms and conditions therein, the Acquisition of Business was completed on 17 June 2022 and was accounted for using acquisition method. The principal reason for this acquisition was to develop strong business connection established with several renowned publishers and consolidate the Group's strong presence in the book printing industry in Australia.

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

	HK$'000
Property, plant and equipment	2,813
Right-of-use assets	4,097
Inventories	20,399
Trade and other receivables	33,520
Deferred Tax Asset	2,853
Trade and other payables	(13,386)
Lease liabilities	(4,097)
Provisions	(9,857)
Fair value of net assets acquired	36,342
Consideration	
- Cash consideration paid during the year	47,175
- Deferral consideration	2,198
Goodwill (Note 13)	13,031

CHAIRMAN'S STATEMENT

We have made significant progress on our strategy of geographic diversification and vertical integration with the acquisition of assets of Griffin Press, a leading Australian book printing printer, and the consolidation of Quarto, a renowned international publisher, as a subsidiary of our Group. These strategic moves have strengthened our market position in the global book market. The record-breaking results we achieved in 2022 are a testament to the soundness of our strategy and the prudent execution by our management team.

The Board continually evaluates our strategic position in the market, taking into account the changing dynamics and trends in the industry. We maintain our view on print manufacturing in China, as we believe that China has a strong competitive advantage in the book printing market in the short to medium term. However, we recognize that in the long term, the competitive landscape will shift, as printers in South-East Asia improve their infrastructure and close the capability gap in their upstream and downstream supply chains.

Left Field Printing, our subsidiary, successfully completed the acquisition of Australia based Griffin Press in June 2022. Although the acquisition deviates from with our preferred asset-light model, it creates a strong synergy with Left Field, making the combined operation the largest book printing group in Australia. We are committed to investing in increasing our capacity and diversifying our paper supply sources to provide quality services to our customers in the ANZ region.

We have strengthened our Board composition by appointing Mr. Ho Tai Wai, David as an independent non-executive director in Dec 2022. David is a finance and accounting veteran, with over 40 years of experience across various industries and markets. He is also a board member of Left Field Printing and Build King Holdings, both of which are listed on the Hong Kong Stock Exchange. His knowledge and expertise will be a great asset as we strive to achieve our strategic ambitions.

We are pleased to propose a final dividend of 7 cents per ordinary share and a special dividend of 3 cents per ordinary share, giving a full year dividend of 13 cents per ordinary share. This reflects our improved performance, our confidence in our long-term prospects, and our commitment to delivering sustainable returns to our shareholders. I would also like to express my sincere gratitude to our colleagues for their hard work and dedication. They have shown the "can-do" spirit of Lion Rock and achieved an outstanding set of results in challenging times.

Yeung Ka Sing
Chairman
Hong Kong, 31 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

The Group had an outstanding performance in 2022, despite facing a challenging book market and a volatile supply chain. Both our top-line and bottom-line results broke records, helped by the acquisition of Griffin Press in Australia and Quarto becoming a subsidiary of the Group.

The Group’s revenue increased by 44% to $2,496 million (2022: $1,738 million). Profit after tax increased by 101% to reach $285.8m (2021: $142.0m). This impressive financial result is a testament to the successful implementation of our long-term strategy of vertical integration and geographical diversification.

The global book market experienced a period of normalization during the year, with consumers shifting their spending away from discretionary purchases such as books to essential items like food and fuel. The US book market, the largest in the world, saw a 5.8% decrease y-o-y in printed book units sold as reported by NPD BookScan. The global book demand has returned to pre-COVID levels.

We also faced extreme swings in demand and supply chain disruptions during the year. In Q1 2022, there was an unprecedented demand for our print services as major retailers stocked up on inventory. However, this was followed by a significant decline in print order in the second half as these retailers were left with excess inventory which they had to re-balance.

The onshoring trend for print services continued as publishers in the West opted for local solutions to counter the impact of high freight costs and service interruptions. However, with shipping costs dropping 80% from the peak and supply chain issues subsiding, print services in the Far East might become an economically attractive proposition for small to medium sized publishers again.

BUSINESS REVIEW

A. PRINT MANUFACTURING

1010 Printing, China manufacturing and international sales operations:
Sales turnover for 1010 Printing declined by 11% year-on-year due to a weakened global book market and the onshoring trend of print orders. However, the division achieved record profits due to improvements in margin resulting from operational efficiency enhancements and our “smart” procurement practice.

Left Field Printing Group, Australia manufacturing:
Left Field Printing saw a 30% year-on-year increase in sales turnover due to the acquisition of Adelaide based Griffin Press in June 2022. While the integration of Griffin into Left Field is taking longer than anticipated, the strategic benefit of creating the largest book printing group in Australia is becoming increasingly apparent. The enlarged business will provide enhanced services through greater utilization of equipment, additional investment in print capacity, and assurance of local printing. We are confident that the division will deliver improved operational and financial performances in the near future.

COS/Papercraft, Singapore & Malaysia manufacturing:
Sales turnover for COS/Papercraft dropped by 18%. The performance of the division has been disappointing in the past few years. In an effort to revitalize the division, we took the difficult decision to close printing operations in Singapore and transfer the production facilities to Malaysia. This measure will enable us to realize significant cost savings.

B.PRINT SERVICES MANAGEMENT

APOL Group, international sales operations:
APOL Group's sales turnover experienced a slight reduction of 3% after several large-scale projects concluded in 2021. Despite the decrease in top-line, margin and profitability have slightly improved. The division expects a challenging year in 2023.

Regent, Hong Kong sales operation:

Regent's net profit reached an all-time record in 2022 mainly due to strong performance in the US market. Although the stationary sector continued to be affected by tariffs, the division has become the preferred choice for many small to medium US publishers who have been elbowed out of local print capacity by bigger publishers.

C.CREATIVE PUBLISHING

The Quarto Group

Quarto experienced a 7% decline in revenue largely due to the discontinuation of two non-core businesses. With a now more balanced and focused portfolio of B2B and B2C businesses, the new management team appointed in early 2022 is expected to deliver more exciting publishing programmes in 2023, and a solid foundation for future organic and M&A-related growth. If the division meets their 2023 budget, it will generate enough cash to be free of debt, which once stood at over US$80m only five years ago.

STRATEGIC OUTLOOK

The COVID-19 pandemic and the war in Ukraine have shifted the competitive landscape of the global printing industry. Western print manufacturers are faced with the mounting costs of labour and energy, which have reduced their competitive advantage. Moreover, the decommissioning of paper mills in the United States and Europe has created a supply bottleneck for uncoated woodfree paper. This paired with the introduction of stringent environmental policies has further limited the capacities of Western printers. Some investments have been made to develop new facilities in these regions, yet it will take several years to reach their full potential.

Freight was an immense hurdle to overcome during the COVID pandemic. Nevertheless, since mid-2022, notwithstanding the blank sailings and other initiatives taken by the shipping alliances to support freight costs, the January 2023 shipping cost witnessed a drastic reduction of over 80% against record prices in the summer of 2022. As shipping demand decreased and port operations returned to a state of normalcy, companies are becoming increasingly inclined towards Far East printing as a viable option again.

In the long term, we anticipate a gradual loss of the Chinese printer's competitive advantage. The cost of labour in China will continue to rise as the population becomes more educated and moves away from labour-intensive employment opportunities. Furthermore, due to the decreasing population size, the labour pool will decrease, and China's population dividend will be eroded. As China's economy grows, land and material costs will increase as well, further limiting the sustainability of China's advantage.

South-East Asia is beginning to emerge as an appealing, cost-effective alternative to traditional manufacturing centres. Abundant, cheap labour and investment-friendly government policies have enticed many multinationals to set up manufacturing bases in the area, driven in part by the US-China trade war and the West's manoeuvre to decouple from China. Though the region has the potential to compete with China, it must first overcome infrastructure, policy, and skill-related challenges to build a value chain that could rival China's. And this transition could take a decade to achieve.

The Group will continue to strengthen our economic "moat" by becoming a larger and more integrated part of the global book industry. We will continue to pursue diversification across geographies and vertical integration along the book value chain. The Group's vertically integrated model enables our "smart" procurement practice. It allows us to achieve cost leadership by anticipating commodity demand and price fluctuations, sourcing and storing raw materials at optimal times and prices for our customers. And our global footprint allows us to deliver fast and efficient print services for complex large-scale projects.

NEAR-TERM PROSPECT

The performance over the past two years has clearly demonstrated the success of our strategy of diversification. Over the years, the Group has transformed from a "commodity" book printer into a multinational enterprise that spans across print manufacturing, print services management, and creative publishing. While we have increased our presence in the global book industry, the normalization of global book demand means it is unlikely we could replicate the outstanding results in 2023.

We discussed the emergence of South-East Asia as a manufacturing powerhouse and the importance of the Malaysia-based COS/Papercraft as a strategic asset in light of current market trends. Our objectives for the division are to reach breakeven by 2023, further strengthening our core printing business by providing customers with an alternative to China-based printing solutions.

The strategic merger of Griffin Press into Left Field is on track to be finalized within this fiscal year. As a geographically isolated market, Australia has developed a unique and self-reliant printing and publishing ecosystem. However, its' limited scale and scope of the local book market also poses challenges for the sustainability of the print supply chain, especially in terms of raw material availability. To mitigate these risks and enhance our competitive advantage, we will intensify our efforts to seek alternative sources of paper for printing novels.

Quarto has successfully transformed itself into a solid and resilient business, with a sound financial foundation and a streamlined product portfolio that aligns with its core competencies. To further advance the business, we will leverage both organic and inorganic growth opportunities. Organically, we will focus on developing a vibrant literary ecosystem of authors, illustrators, influencers, marketers, and sales channels in each of our six core publishing categories - Children's, Gardening, Cooking, House & Home, Arts & Crafts, and Mind, Body & Spirit. Inorganically, we will seek tuck-in acquisitions that complement our existing market reach and influence.

We anticipate the market demand for books and print services to remain soft in the first half of 2023. Consumer's discretionary spending is still constrained, and retailers are still adjusting their inventory levels to match the lower demand. Some smaller sized players in the printing and publishing industry might face financial challenges. However, the scale of our business and financial position will enable us to ride out this uncertain period. We will also capitalize on the window of opportunity to execute M&A transactions that will help us achieve our strategies.

Lastly, I would like to convey my sincere appreciation to our staff for their outstanding performance, dedication, and professionalism. They are the driving force behind our remarkable achievements and the backbone of our success.

FINANCIAL REVIEW

Turnover for the year ended 31 December 2022 was approximately HK$2,496.1 million and represented an increase of 43.7% from previous corresponding year (2021: HK$1,737.6 million). The increase was attributed to the inclusion of the results of The Quarto Group, Inc. ("Quarto") since April 2022, contributing approximately HK$875.9 million of revenue to the new book publishing segment. External turnover generated from the printing segment decreased by approximately HK$117.4 million. Such decrease was mainly due to the exclusion of printing revenue from Quarto after it became the subsidiary of the Group.

Gross profit margin increased from 25.7% to 33.3% for the year ended 31 December 2022 compared with 2021. The inclusion of the publishing segment in 2022 provided a higher gross profit contribution to the Group. Gross profit margin in the printing segment also improved as a result of lower procurement and outsource costs and increased operational efficiency.

Other income increased by HK$64.1 million to approximately HK$110.7 million (2021: HK$46.6 million). The increase was mainly due to 1) the fair value gain on disposal of associate of HK$31.3 million as a result of derecognizing Quarto as an associate in April 2022; 2) the increase in bad debt recovery of HK$16.9 million; 3) the increase in gain on disposal of property, plant and equipment of HK$6.6 million; 4) income from debt forgiveness of HK$4.5 million; 5) the increase in income on published books consignment service of HK$3.5 million; and increase in bank interest income.

Selling and distribution expenses increased by approximately HK$137.1 million compared with 2021. Selling and distribution expenses against sales increased from 12.0% in 2021 to 13.9% in 2022. Such increase was due to higher portion of sales and marketing costs derived from the publishing segment.

Administrative expenses increased by HK$70.9 million to approximately HK$180.1 million (2021: HK$109.2 million). The increase was substantially the result of the inclusion of the overhead administrative expenses of Quarto and the newly acquired book printing business in OPUS, together with the increase in legal and professional costs associated with these corporate projects. Overseas travelling costs also increased during the year after the gradual loosening of the COVID measures of different countries. Loss on fair value of financial assets through profit and loss of HK$2.6 million was also noted which was attributable to the fair value loss of a convertible note acquired during the year.

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 with the expectation of lower future recoverable value on the assets in Papercraft, our subsidiary in Malaysia.

Provision for impairment of trade and other receivables increased by HK$33.6 million as compared with 2021. The increase was due to the expected credit loss on the trade receivables of the publishing business and also the increased credit risk on receivables from Ovato Limited on its appointment of administrator in July 2022.

Finance costs increased from approximately HK$8.5 million in 2021 to approximately HK$18.1 million in 2022. The increase was caused by the substantial increase in the floating interest rate and the increase in bank borrowings 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, comparing with HK$27.5 million for the full year result in 2021.

Income tax expenses increased to approximately HK$61.7 million in 2022 (2021: HK$35.1 million), being associated with the increase in profit for the year.

Profit attributable to owners of the Company amounted to approximately HK$219.9 million for the year ended 31 December 2022 (2021: HK$132.5 million), a 66.0% increase compared with 2021.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group had net current assets of approximately HK$869.3 million (2021: HK$595.1 million) of which the cash and cash equivalents were approximately HK$770.2 million (2021: HK$431.9 million). The Group's current ratio was approximately 1.9 (2021: 2.0).

Total bank borrowings and lease liabilities for the Group amounted to approximately HK$552.0 million (2021: HK$335.7million). Bank borrowings of HK$394.4 million were denominated in Hong Kong dollars. Bank borrowings of HK$42.0 million and HK$2.1 million were denominated in Euros and US dollars respectively. All bank borrowings were carried at floating rates repayable within five years. The Group's gearing ratio as at 31 December 2022 was 33.4% (2021: 24.9%), 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$84.5 million. The purchase is mainly financed by internal resources. The carrying amount of right-of-use assets as at 31 December 2022 was approximately HK$103.2 million.

PLEDGE OF ASSETS/ CHARGE OF ASSETS

As at 31 December 2022, the Group had assets of HK$844.3 million (2021: Nil) comprising property, plant and equipment of HK$10.4 million, right-of-use assets of HK$49.4 million, intangible assets of HK$198.4 million, inventories of HK$170.0 million, trade and other receivables of HK$312.6 million, cash and cash equivalents of HK$103.5 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 (2021: HK$0.2 million) as a security for the banking guarantee facilities of a subsidiary.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no material contingent liabilities.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2022, the Group had around 1,683 full-time employees (2021: 1,303). 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 AND SPECIAL DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to recommend the payment of a final dividend of HK$0.07 (the "Final Dividend") and a special dividend of HK$0.03 (the "Special Dividend") for the year ended 31 December 2022 (2021: final dividend of HK$0.06) 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 5 June 2023.

The register of members will be closed on 5 June 2023 and no transfer of shares will be registered on such day. To qualify for the Final Dividend and Special 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 2 June 2023. Subject to the passing of the relevant resolution of the forthcoming annual general meeting, the Final Dividend and Special Dividend are expected to be paid and dispatched on 19 June 2023.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

AUDIT COMMITTEE

The audit committee has four members comprising the four independent non-executive directors, namely, Mr. Yeung Ka Sing, Prof. Lee Hau Leung, Dr. Ng Lai Man, Carmen and Mr. Ho Tai Wai, David 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 2022.

On behalf of the Board
Lau Chuk Kin
Executive Director

Hong Kong, 31 March 2023

As at the date of this announcement, the Board comprises Mr. Lau Chuk Kin, Ms. Lam Mei Lan and Mr. Chu Chun Wan as executive directors; Mr. Li Hoi David and Mr. Guo Junsheng as non-executive directors; Mr. Yeung Ka Sing, Prof. Lee Hau Leung, Dr. Ng Lai Man, Carmen and Mr. Ho Tai Wai, David 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 2022 of the Company will also be published on the aforesaid websites in due course.