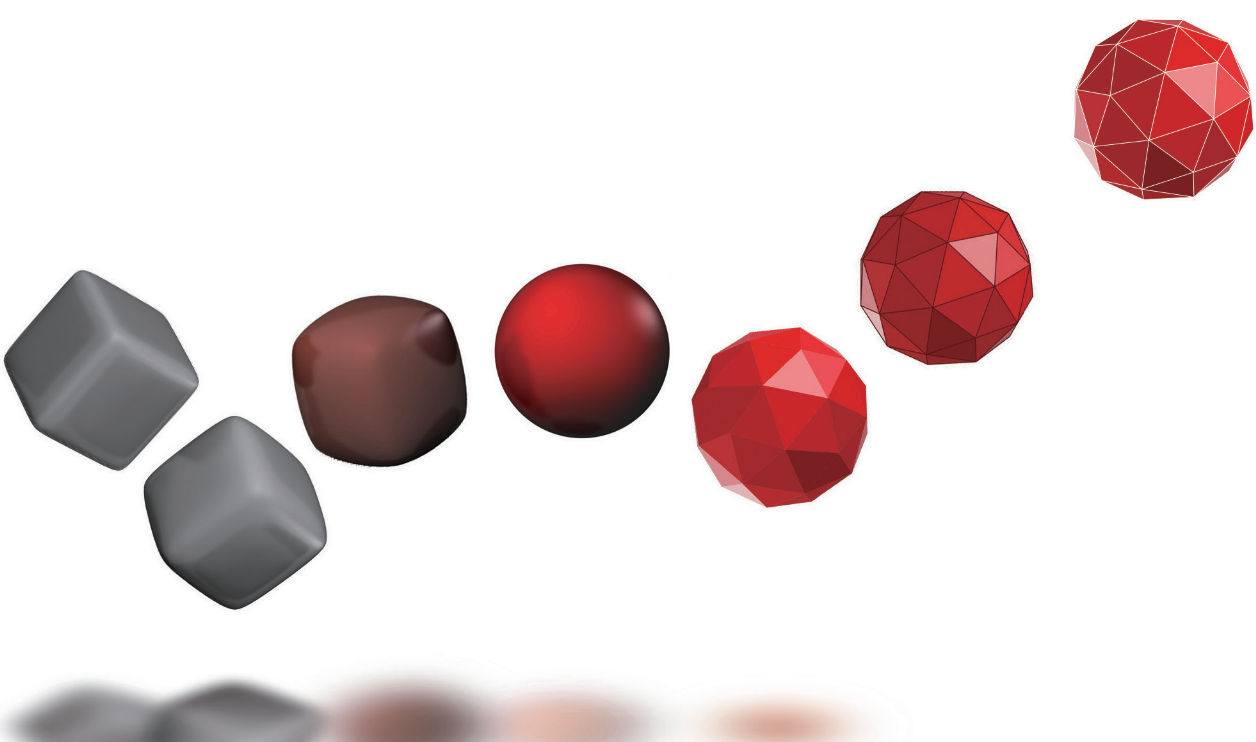
LION ROCK GROUP LIMITED
獅子山集團有限公司
STOCK CODE:1127

ANNUAL REPORT 2018



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CHAIRMAN'S STATEMENT

The Lion Rock Group strode through 2018 facing a few yellow flags in the global market scene: the uncertainties around Brexit, the escalating US-China trade war, and the roller coaster price of paper. In China where our biggest production facility is based, continuing rise in costs for labour and more stringent environmental measures presented immediate and real challenges.

I am pleased to inform that our Group is able to deliver a satisfactory performance despite these major hurdles, with sales turnover increased by 5% and net profit after tax increased by 16%.

We view the US-China trade war as a harbinger of the future of the printing industry in China. Though we are cautiously optimistic that the 25% extra tariffs may not happen soon, the threat is expected to remain in the foreseeable future. Strategically we are getting ready for the possible new barriers of exporting from China to the US. Our Group has already established a foothold in Singapore through a 100% owned subsidiary COS. Our plan is to significantly enlarge COS' printing capacity to give our Group the flexibility of production locations.

In October this year, we also saw the listing of our 62.05% owned subsidiary Left Field Printing Group Limited on the Main Board of the Hong Kong Stock Exchange. OPUS Group's main businesses are under Left Field in Australia. The Hong Kong listing will allow access to more active capital market activities.

I take this opportunity to thank Mr. David Tsui who resigned from the board on 14 September 2018. David over the years has provided sound advice to management on the adoption of technology and the integration of APOL.

We are optimistic of our business prospects in 2019 and are confident that our more diversified and balanced portfolio in print manufacturing, print services management and publishing is a stronger growth platform.

To our staff, your dedication and contribution has been pivotal to the Group's becoming one of the most progressive printing companies in the world. Thank you.

YEUNG KA SING
Chairman
Hong Kong, 12 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

PRINT MANUFACTURING

1010 Printing, China manufacturing and international sales operations:

Sales turnover registered a 6% year-on-year decline although the downward trend had been arrested by the end of the year. With a HKD60 million facilities upgrade program, our China plant is among the most efficient book printing operations in the country. Significant cost savings would be expected when the program is rolled out in full swing.

The ability to execute large orders at fast turnaround time has always been the hallmark of 1010 Printing. The recent completion of a project involving 26 million copies of textbooks for a leading education publisher is a case in point. Leveraging on our inventory of paper, we completed the project in a record 45 days in early 2019. This required precise orchestration with our partners in paper supply, logistics and cross border sub-contracting.

COS, Singapore manufacturing:

Despite the tough trading environment in Singapore, COS managed to deliver a 26% increase in sales and enjoyed a double digit net profit margin. This was made possible by exercising strict control on staffing cost, and leveraging on the competitive advantage of Singapore being the regional distribution centre. COS will be of growing importance to our international book publishers who see the need of alternative production choices in Asia besides China.

OPUS Group, Australia/Left Field Printing Group:

In 2018, OPUS Group was successfully listed on the main board of the Hong Kong Stock Exchange, and was renamed Left Field Printing Group.

Left Field Printing experienced a marginal increase of 0.2% in sales turnover in its reporting currency, Australian dollars, as the trading environment for printing in Australia was pressured by the increase in paper price. The government sector continues to shrink, in line with the national policy to go paperless. The ongoing decrease in size of print run also presents more difficulty in achieving optimal production efficiency.

On the positive side, Left Field Printing has won a substantial government order for print related services. This was demonstrative of the synergistic effect of IT enabling support to production. To position for further expansion, Left Field Printing has undergone a major equipment upgrade.

PRINT SERVICES MANAGEMENT

APOL Group, international sales operations:

It was an outstanding year for APOL where sales turnover increased by 23%. Margin however dropped slightly reflecting the competitive nature of the business. The forward trend is encouraging as all business units registered increase in sales turnover. APOL is aggressively pursuing the hand assembly book sector and strengthening the ability in sourcing non-book merchandise.

Regent, Hong Kong sales operation:

In its first full-year operation under the Lion Rock Group, Regent increased net profit after tax by 28%. The Regent management is working on the mitigation of tariff increases imposed by the US government on certain products including stationeries, journals and notebooks.

PUBLISHING

Quarto, UK and US publishing operations:

As one of the world's top ten English language illustrated book publishers, Quarto has been a major customer to Lion Rock Group since 2009. In recent years it has faced cash flow problems and the situation had been made more difficult by being placed under the restructuring team of its lenders.

Lion Rock has bought a 20.13% stake in Quarto. On 17 May 2018, Mr. CK Lau was appointed as executive director of Quarto and has since been actively involved with banks on the extension of the loan. As it now stands, the term loan has been extended to August 2020 while a de-leveraging exercise is vigorously underway. The business outlook of publishing illustrated books is positive, as the progress of the conversion to digital form has been slow as evidenced by the recent uptake of sales of printed books. With the new financial structure, Quarto is heading towards a more sustainable future.

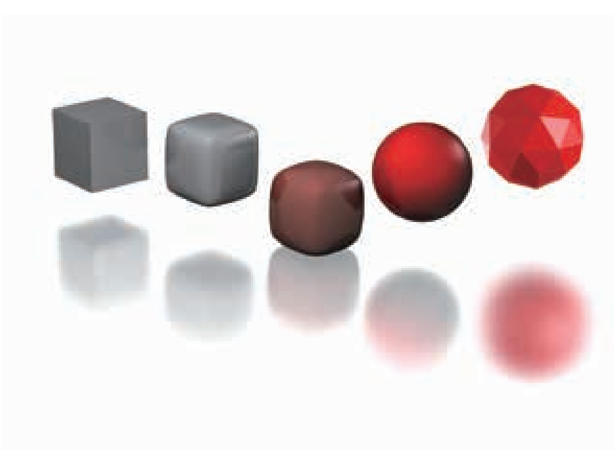
PROSPECT

2018 has been a most interesting year for the Lion Rock Group. We were able to convince the few customers who had initial reservations about us keeping a firewall between our publishing and printing activities by delivering books on time and on specifications at a level which ranks among one of the best in our industry in 2018.

2019 is off to a good start for the Group. Our order book for the first two months in 2019 is about 10% ahead of 2018 and we have reasons to believe that this positive trend will continue for the rest of the year.

The cost out measures implemented at Quarto are producing results, though it will take some time for them to flow on to the bottom line.

Our balanced portfolio of business and adoption of technology in managing our business on a proactive basis has made Lion Rock Group one of the most agile players in the book printing and publishing industry worldwide. Our return on investment has benefited from our asset light policy and our strong balance sheet will enable the Group to seize on merger and acquisition opportunities in the future.



CK LAU
Executive Director
Hong Kong, 12 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue for the year ended 31 December 2018 was approximately HK$1,665.4 million and represented an increase of 5% from the previous corresponding year (2017: HK$1,582.7 million). The increase was contributed by the strong performance of our Asia Pacific Offset division and the inclusion of full year result of Regent after acquisition in late Mar 2018.

Gross profit margin remained stable at 28% as compared with last year. Increase in material cost was offset by the decrease in machinery depreciation charge for the year, due to fully depreciation of certain machineries.

Other income increased from HK$52.3 million in 2017 to HK$87.3 million in 2018 was mainly due to 1) the gain on release of exchange reserve upon deregistration of subsidiary in New Zealand of approximately HK$28.3 million; 2) reversal/write back of provisions for leasehold dilapidations of HK$7.3 million as a result of new lease arrangement and updated market assessment; 3) increase in write back of accruals and other payables of prior years of HK$5.6 million; 4) increase in gain on disposal of property, plant and equipment of approximately HK$3.5 million; 5) increase in sales of scrapped paper and by-products of HK$3.1 million; and offset with decrease in foreign exchange gain.

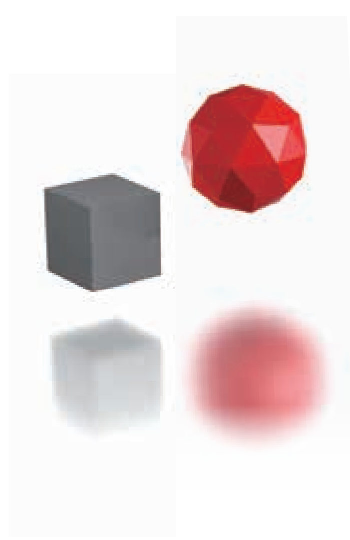
Selling and distribution expenses increased from approximately HK$196.2 million in 2017 to approximately HK$211.5 million in 2018. The increase was in line with the increase in sales during the period.

Administrative expenses increased from approximately HK$96.0 million in 2017 to HK$108.2 million in 2018. The increase mainly due to the increase in staff costs and increase in legal and other professional fees upon certain projects carried out during the year.

Other expenses for the year mainly represented listing expenses of subsidiary and provision for impairment on trade receivables. Amount increased substantially from HK$3.0 million in 2017 to HK$33.7 million in 2018. The increase was mainly due to the listing expenses of approximately HK$28.0 million incurred on the delisting of our subsidiary, OPUS Group Limited from Australian Securities Exchange and the listing of Left Field Printing Group Limited in the Main Board of the Stock Exchange of Hong Kong after reorganisation.

Income tax expenses for the year decreased to approximately HK$30.0 million for 2018 from approximately HK$39.1 million in 2017. The decrease in income tax was due to the non-taxable gain arose from the release of exchange reserve on deregistration of subsidiary in New Zealand as mentioned above.

Profit for the year attributable to owners of the Company amounted to approximately HK$169.4 million (2017: HK$147.7 million), an increase of 15% compared with last year.



LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had net current assets of approximately HK$677.3 million (31 December 2017: HK$680.1 million) of which the cash and bank balances were approximately HK$508.3 million (31 December 2017: HK$424.2 million). The Group's current ratio was approximately 2.2 (31 December 2017: 2.9).

Total bank borrowings and finance lease liabilities for the Group amounted to HK$288.6 million (31 December 2017: HK$70.9 million). As at 31 December 2018, bank borrowings were denominated in Hong Kong dollars and finance lease liabilities were denominated in Australian dollars. All bank borrowings are at floating rates and finance leases are in fixed rates with all borrowings repayable within five years. The Group's gearing ratio as at 31 December 2018 was 24.8% (31 December 2017: 6.8%), which is calculated on the basis of the Group's total interest-bearing debts over the total equity.

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

FOREIGN CURRENCY MANAGEMENT

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

CAPITAL EXPENDITURE

During the year, the Group had acquired property, plant and equipment at approximately HK$70.8 million. The purchase is mainly financed by internal resources. The net book amount of property, plant and equipment includes net carrying amount of approximately HK$2.4 million (31 December 2017: HK$1.5 million) in respect of assets held under finance leases.

PLEDGED DEPOSIT

As at 31 December 2018, the Group had pledged deposit of approximately HK$5.8 million (2017: Nil). The pledged deposit is pledged as a security for the Group's banking facilities.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no material contingent liabilities.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

MR. LAU CHUK KIN

Mr. Lau Chuk Kin, aged 66, was appointed as an executive Director in 2011. Mr. Lau has been responsible for the overall strategic formulation and management of the Group. Mr. Lau is an executive director of Left Field Printing Group Limited, a subsidiary of the Company whose shares are listed on the Stock Exchange of Hong Kong Limited and The Quarto Group, Inc., an associate of the Company whose shares are listed on the London Stock Exchange. He is also an executive director of OPUS Group Limited, a subsidiary of the Company whose shares were listed on the Australian Stock Exchange until October 2018. Mr. Lau obtained a Bachelor of Arts degree from the University of Minnesota in the United States and a Master of Business Administration degree from the Chinese University of Hong Kong. Mr. Lau is the compliance officer of the Group. He has over 28 years of experience in printing business. He is a director of ER2 Holdings Limited and City Apex Limited, substantial shareholders of the Company. He is a shareholder of ER2 Holdings Limited.

MS. LAM MEI LAN

Ms. Lam Mei Lan, aged 52, was appointed as an executive Director in 2015. She is the chief financial officer of the Group and has been responsible for the financial management of the Group. Ms. Lam holds a Master of Business Administration degree from the Chinese University of Hong Kong and a Doctor of Business Administration degree from The Hong Kong Polytechnic University. She is a fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Ms. Lam has over 30 years of experience in finance and has held senior financial positions in various main board listed companies and a non-profit charitable organization in Hong Kong. Ms. Lam is a non-executive director of The Quarto Group, Inc., an associate of the Company whose shares are listed on the London Stock Exchange. During the period from November 2014 to May 2018, Ms. Lam was an executive director of OPUS Group Limited, a subsidiary of the Company whose shares were listed on the Australian Stock Exchange until October 2018.

MR. CHU CHUN WAN

Mr. Chu Chun Wan, aged 68, was appointed as an executive Director in 2015. Mr. Chu has been the managing director of Asia Pacific Offset Limited ("APOL") since 1999. He has over 40 years of experience in the printing industry in Hong Kong and held senior positions, including as deputy managing director of Mandarin Offset Limited and executive vice president of Hua Yang Printing Group. Mr. Chu is responsible for making overall strategic decisions in APOL which is a subsidiary acquired by the Group in 2012. Mr. Chu is father of Ms. Stephanie Chu, general manager of APOL.

NON-EXECUTIVE DIRECTOR

MR. LI HOI, DAVID

Mr. Li Hoi, David, aged 61, was appointed as an executive Director in 2013 and re-designated to non-executive Director in 2017. Mr. Li is an advisor to the Group. Before Mr. Li's re-designation to non-executive role, he was the Managing Director of Oceanic Graphic International Inc. ("OGI"), a subsidiary of the Group and was responsible for the overall management of OGI. Mr. Li is the founder of a print management company in the United States. Mr. Li has over 30 years of experience in publishing and printing industries and has held different positions in several publishing and printing companies in the United Kingdom, United States and Hong Kong. Mr. Li received a diploma from London College of Printing (currently known as London College of Communication) and a diploma from the British Printing Industries Federation.

MR. GUO JUNSHENG

Mr. Guo Junsheng, aged 29, was appointed as a non-executive Director in 2016. Mr. Guo holds a Bachelor of marketing degree from the Guangzhou University. He is the investment director of a real estate company in Shenzhen, of which its parent company is listed in the Shenzhen Stock Exchange. He is also a founding and controlling shareholder of an art and cultural development company and a trading company in China. He also has extensive experience in a non-profit charitable organization in Guangdong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. YEUNG KA SING

Mr. Yeung Ka Sing, *GBS MBE JP* aged 77, was appointed as an independent non-executive Director and Chairman of the Company in 2011. Mr. Yeung has been active in public and community services for over 30 years. Notably, he was chairman of the Hong Kong Housing Society, Standing Commission on Civil Service Salaries and Condition of Service, Community Investment and Inclusion Fund Committee. He was also a member of the Transport Advisory Committee, member of the City University Council, member of the Employers' Federation and council member of the Hong Kong Management Association. He was awarded the Gold Bauhinia Star by the Hong Kong Special Administrative Region in 2012.

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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

PROF. LEE HAU LEUNG

Prof. Lee Hau Leung, aged 66, was appointed as an independent non-executive Director of the Company in 2011. He is the Thoma Professor of Operations, Information and Technology at the Graduate School of Business at Stanford University. Prof. Lee was elected to the National Academy of Engineering in 2010, and is a Fellow of the Manufacturing and Service Operations Management Society in 2001, a Fellow of the Institute for Operations Research and the Management Sciences in 2005, and a Fellow of the Production and Operations Management Society in 2005. Prof. Lee obtained his Bachelor of Social Science degree from the University of Hong Kong, his Master of Science degree in Operational Research from the London School of Economics and Political Science, University of London, and his Master of Science and Doctorate degree from the University of Pennsylvania. Prof. Lee is a non-executive director of Global Brands Group Holding Limited, a company listed on the Stock Exchange of Hong Kong Limited, and an independent non-executive director of each of Synnex Corporation, a company listed on the New York Stock Exchange, Frontier Services Group Limited, a company listed on the Stock Exchange of Hong Kong Limited, and Esquel Enterprises Limited, a private company based in Hong Kong.

DR. NG LAI MAN, CARMEN

Dr. Ng Lai Man, Carmen, aged 54, was appointed as an independent non-executive Director in 2011. Dr. Ng has about 30 years of experience in professional accounting and corporate finance in Hong Kong, the PRC, the United States and Europe. Dr. Ng is a practising certified public accountant in Hong Kong, a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and Institute of Chartered Accountants in England and Wales. She is a director of Cosmos CPA Limited. Dr. Ng received her Doctor of Business Administration degree from the Hong Kong Polytechnic University, Juris Doctor degree from the Chinese University of Hong Kong, Master of Laws degree in Corporate and Financial Law from the University of Hong Kong, Master of Business Administration degree from the Chinese University of Hong Kong, Master of Professional Accounting degree from the Hong Kong Polytechnic University and Master of Science in Global Finance jointly offered by Leonard N. Stern School of Business of New York University and School of Business and Management from the Hong Kong University of Science of Technology. Dr. Ng is currently an independent non-executive director of eSun Holdings Limited and Global International Credit Group Limited, all being companies listed on the Stock Exchange of Hong Kong Limited.

SENIOR ADVISOR TO THE BOARD

MR. YANG SZE CHEN, PETER

Mr. Yang Sze Chen, Peter, aged 80, is the senior advisor to the Board after his retirement as executive Director of the Company in 2015. Mr. Yang joined the Group in 2009 and was responsible for the overall management of the Group till his retirement. He graduated from the London School of Printing and Graphic Arts (currently known as London College of Communication) in 1958 and has over 50 years of experience in the printing industry. He is the founder of a premier book printing company in Hong Kong.

SENIOR MANAGEMENT

MR. GEORGE TAI

Mr. George Tai, aged 69, is the managing director and minority shareholder of Regent Publishing Services Limited ("Regent"). He founded Regent, a subsidiary acquired by the Group in 2017, in 1985 and has been responsible for the overall management of Regent since its incorporation. Mr. Tai has been in the printing industry since 1973 and started his career in printing with Dai Nippon Printing Company and Hong Kong Scanner Craft Limited.

MR. RICHARD F. CELARC

Mr. Richard F. Celarc, aged 62, is the chairman and executive director of Left Field Printing Group Limited ("Left Field"), a subsidiary of the Company whose shares are listed on the Stock Exchange of Hong Kong Limited. He is responsible for the overall strategic planning and management of Left Field Group. Mr. Celarc has around 40 years of experience in the printing business in Australia. He co-founded Ligare Pty Ltd, a subsidiary of the Company, and grew the business into the largest specialist book printer in New South Wales. Mr. Celarc is an executive director of OPUS Group Limited, a subsidiary of the Company whose shares were listed on the Australian Stock Exchange until October 2018.

MS. STEPHANIE CHU

Ms. Stephanie Chu, aged 37, has been appointed as the General Manager of APOL since 1 December 2015. Ms. Chu has been with APOL for over 10 years, including 5 years at senior management level. She graduated from The University of Kent in 2004 with a Bachelor of Science degree in Forensic Studies. Ms Chu oversees the overall operations and management of APOL. Ms. Chu is daughter of Mr. Chu Chu Wan, an executive director of the Company.

MR. LAM WING YIP

Mr. Lam Wing Yip, aged 45, is the chief technology officer of the Group. He was an executive Director of the Company from September 2012 to April 2018. Mr. Lam is responsible for the design and implementation of information technology strategies that align with the Group's business goals. He has over 20 years of experience in information technology field. Prior to joining the Group in 2011, he worked in several multinational corporations. Mr. Lam obtained a Bachelor of Science degree from the Chinese University of Hong Kong.

MS. TAN LAI MING

Ms. Tan Lai Ming, aged 41, is the company secretary and financial controller of the Group. Ms. Tan obtained a bachelor's degree in accountancy from the City University of Hong Kong and has been a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. She is responsible for the company secretarial and finance functions of the Group. She worked at Deloitte Touche Tohmatsu for over 7 years before joining the Group in 2011.

MR. SU LEIGANG

Mr. Su Leigang, aged 42, is the vice president of supply chain of the Group. He obtained a Master's degree in information system from the University of Southampton, United Kingdom and a bachelor's degree in industrial automation (computer control) from China Textile University (currently known as Donghua University), Shanghai, the PRC. Mr. Su has over 10 years of experience in the information technology field. Prior to joining the Group in 2007, he worked as IT manager for 5 years at a company listed on the Shanghai Stock Exchange.

MR. TONG WING WAI, GILBERT

Mr. Tong Wing Wai, Gilbert, aged 44, is the general manager of the production plant at Yuanzhou and joined the Group in 2011. Mr. Tong is responsible for the production and administration of 1010 Printing's China Plant. He has over 10 years of experience in the printing industry. He obtained a Master of Business Administration from the University of Adelaide and a bachelor degree in Mechanical and Automation Engineering from the Chinese University of Hong Kong.

MS. TANG TSZ YING

Ms. Tang Tsz Ying, aged 34, is an executive director and company secretary of Left Field Printing Group Limited ("Left Field"). She is responsible for overseeing the finance and company secretarial function of Left Field Group. Ms. Tang obtained a Bachelor's degree in Business Administration in Accountancy from the Hong Kong Polytechnic University. She is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in Australia. Ms. Tang joined OPUS Group Limited, a subsidiary of the Company whose shares were listed on the Australian Stock Exchange until October 2018, in 2016 and has been appointed as an executive director of OPUS Group Limited since 2017. She worked in Ernst and Young, both Hong Kong office and Sydney office, for over 7 years.

MS. WONG WAI YEE

Ms Wong Wai Yee, aged 32, is the associate sales director of the Group. She oversees the sales functions of 1010 Printing International Limited, a wholly owned subsidiary of the Company. Ms Wong obtained a Bachelor's degree of arts in language studies for the professions from The Hong Kong Polytechnic University. She joined the Group in 2012 and has 10 years of experience in international trade.

MR. LIU WAI TUNG

Mr. Liu Wai Tung, aged 39, is the information technology manager of the Group. Mr. Liu obtained a Master's degree of Business Administration from The University of Greenwich, a Master's degree of Philosophy from The Hong Kong Polytechnic University and a Bachelor's degree of Information Engineering from The Chinese University of Hong Kong. He oversees the information system management and related projects. Prior to joining the Group in 2017, Mr. Liu has over 10 years of experience in information technology consulting and management in various industries.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries are set out in note 39 to the financial statements.

BUSINESS REVIEW

A review of the Group's business during the year and analysis of the Group's performance using financial key performance indicators and prospects of the Group's business is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 2 to 7 respectively of this Annual Report.

PRINCIPAL RISK AND UNCERTAINTIES

Macro-economic and political conditions

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

Digitalisation of information

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

Technological developments in the printing industry

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

Financial risks

Details of financial risks are set out in note 41 to the consolidated financial statements.

RELATIONSHIP WITH STAKEHOLDERS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

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

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 38 to 39.

DIVIDEND

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

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

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

(iii) the Group's liquidity position;

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

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

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

The payment of dividend is also subject to the compliance with applicable laws and regulations, including the laws of Bermuda and the Company's bye-laws.

During the year, the Directors have declared an interim dividend of HK$0.03 (2017: HK$0.03) per share, totalling HK$23,100,000 which was paid on 24 September 2018.

The Directors recommended a final dividend of HK$0.07 (2017: HK$0.065) per share (the "Final Dividend") for the year ended 31 December 2018 payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 16 May 2019. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, the Final Dividend will be payable on 29 May 2019.

RESERVES

Details of movements in the reserves of the Group and the reserves of the Company during the year are set out in the consolidated statement of changes in equity on pages 42 to 43 and note 31 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution to the shareholders of the Company amounted to approximately HK$369 million.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 139 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 29 to the financial statements.

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Lau Chuk Kin
Ms. Lam Mei Lan
Mr. Chu Chun Wan
Mr. Lam Wing Yip (retired on 27 April 2018)

NON-EXECUTIVE DIRECTORS

Mr. Li Hoi, David
Mr. Guo Junsheng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Ka Sing
Prof. Lee Hau Leung
Dr. Ng Lai Man, Carmen
Mr. Tsui King Chung, David
(resigned on 14 September 2018)

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

DIRECTORS' SERVICES CONTRACT

Each of the independent non-executive directors has entered into a service contract with the Company for a term of two years ending on 31 December 2020. The service contract is subject to termination by either party giving not less than three months' prior written notice to the other.

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

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

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

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

As at 31 December 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any associated corporations, within the meaning of Part XV the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

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

Name of Directors	Personal Interests	Family Interests	Corporate Interests	Total Interests	Percentage to the issued share capital of the Company
	(Shares)	(Shares)	(Shares)	(Shares)	(%)
Mr. Lau Chuk Kin (Note 1)	65,371,906	Nil	266,432,717	331,804,623	43.09
Ms. Lam Mei Lan	16,568,688	Nil	Nil	16,568,688	2.15
Mr. Guo Junsheng (Note 2)	Nil	Nil	12,299,804	12,299,804	1.60

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

Name of Directors	Personal Interests	Family Interests	Corporate Interests	Total Interests	Percentage to the issued share capital of Left Field
	(Shares)	(Shares)	(Shares)	(Shares)	(%)
Mr. Lau Chuk Kin (Note 3)	Nil	Nil	314,521,734	314,521,734	62.05

(c) Long Position in the shares of The Quarto Group Inc. ("Quarto"), an associated corporation of the Company

Name of Directors	Personal Interests	Family Interests	Corporate Interests	Total Interests	Percentage to the issued share capital of Quarto
	(Shares)	(Shares)	(Shares)	(Shares)	(%)
Mr. Lau Chuk Kin (Note 4)	1,639,743	Nil	4,114,929	5,754,672	28.15

Notes:

1. Of 266,432,717 shares, 258,135,326 shares and 8,297,391 shares are beneficially owned by City Apex Limited and ER2 Holdings Limited ("ER2 Holdings") respectively. As at 31 December 2018, ER2 Holdings was the ultimate holding company of City Apex Limited. Mr. Lau Chuk Kin owned 68.76% of the issued share capital of ER2 Holdings and accordingly, Mr. Lau is deemed to be interested in the said shares pursuant to Part XV of the Securities and Futures Ordinance.

2. The shares are beneficially owned by Dragon Might Global Limited ("Dragon Might"). As at 31 December 2018, Dragon Might is 100% directly owned by Mr. Guo Junsheng and therefore Mr. Guo is deemed to be interested in the said shares.

3. The shares are beneficially owned by Bookbuilders BVI Ltd. As at 31 December 2018, Bookbuilders BVI Ltd is an indirect wholly-owned subsidiary of the Company. As stated under note 1 above, Mr. Lau is deemed to be interested in 43.09% issued share capital of the Company. Accordingly, Mr. Lau is deemed to be interested in the said shares.

4. Of 5,754,672 shares, 4,114,929 shares are beneficially owned by 1010 Printing Ltd. As at 31 December 2018, 1010 Printing Ltd is an indirect wholly-owned subsidiary of the Company. As stated under note 1 above, Mr. Lau is deemed to be interested in 43.09% issued share capital of the Company. Accordingly, Mr. Lau is deemed to be interested in the said shares.

Save as disclosed above, as at 31 December 2018, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed to have any interests of short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME AND SHARE AWARD SCHEME

Details of the share option scheme and share award scheme of the Company are set out in note 30 to the financial statements.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, the following persons, other than a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company, being 5% or more in the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

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

Note:

1: Of 266,432,717 shares, 258,135,326 shares and 8,297,391 shares are beneficially owned by City Apex Limited and ER2 Holdings respectively. ER2 Holdings was the ultimate holding company of City Apex Limited. Mr. Lau Chuk Kin owned 68.76% of the issued share capital of ER2 Holdings and accordingly, Mr. Lau is deemed to be interested in the said shares pursuant to Part XV of the Securities and Futures Ordinance.

2: Of 61,640,976 shares, 41,665,808 shares are beneficially owned by Preferable Situation Assets Limited. According to the record kept by the Company, as at 31 December 2018, Preferable Situation Assets Limited is 100% directly owned by Mr. Webb David Michael and therefore Mr. Webb is deemed to be interested in the said shares held by Preferable Situation Assets Limited.

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

Save as disclosed above, as at 31 December 2018, the Company had not been notified of any other person (other than a Director or chief executive of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company and was required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

MAJOR SUPPLIERS AND CUSTOMERS

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 38% and 14% of the Group's total purchases for the year ended 31 December 2018 respectively.

The top five customers in aggregate and the single largest customer of the Group accounted for approximately 22% and 9% of the Group's total sales for the year ended 31 December 2018 respectively.

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

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY PROVISION

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

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Save as disclosed in note 38 to the Financial Statements, the Group has not entered into any other connected transaction or continuing connected transaction for the year which should be disclosed pursuant to the requirements of Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirm that the Company has maintained throughout the year ended 31 December 2018, the amount of public float as required under the Listing Rules.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

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

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 22 to 31 of the annual report.

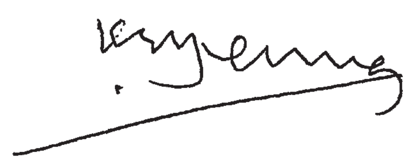
EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2018, the Group had around 1,224 full-time employees (2017: 1,222). 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.

AUDITOR

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

On behalf of the Board



YEUNG KA SING
Chairman
Hong Kong, 12 March 2019

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the Model Code regarding securities transactions by the Directors throughout the year ended 31 December 2018.

BOARD OF DIRECTORS

As at 31 December 2018, the Board comprises eight Directors, of whom three are executive Directors, two are non-executive Directors and three are independent non-executive Directors. The Board has in its composition a balance of skills and experience necessary for decision making and fulfilling its business needs. The participation of non-executive Directors in the Board brings independent judgement on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

Each of the non-executive directors and independent non-executive directors entered into a service contract with the Company for a term of two years ending 31 December 2020. All are subject to termination by either party giving not less than three months' prior written notice to the other.

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

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

The Board members for the year ended 31 December 2018 were:

Chairman
Mr. Yeung Ka Sing

Executive Directors
Mr. Lau Chuk Kin
Ms. Lam Mei Lan
Mr. Chu Chun Wan
Mr. Lam Wing Yip (retired on 27 April 2018)

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

Independent non-executive Directors
Mr. Yeung Ka Sing
Prof. Lee Hau Leung
Dr. Ng Lai Man, Carmen
Mr. Tsui King Chung, David
(resigned on 14 September 2018)

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

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

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

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

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

The Board held 4 Board meetings and one annual general meeting ("AGM") in 2018. Details of the attendance of the Board are as follows:

Directors	Attended/Held Board meeting	AGM
Mr. Lau Chuk Kin	4/4	0/1
Mr. Lam Wing Yip	1/1	N/A
Ms. Lam Mei Lan	4/4	1/1
Mr. Chu Chun Wan	4/4	0/1
Mr. Li Hoi David	4/4	0/1
Mr. Guo Junsheng	4/4	0/1
Mr. Yeung Ka Sing	3/4	1/1
Prof. Lee Hau Leung	4/4	0/1
Mr. Tsui King Chung, David	3/3	1/1
Dr. Ng Lai Man, Carmen	4/4	1/1

ACCOUNTABILITY AND AUDIT

The Directors acknowledge responsibility for overseeing the preparation of the financial statements for the year ended 31 December 2018.

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

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

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

PROFESSIONAL DEVELOPMENT

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

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

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

COMPANY SECRETARY

The company secretary of the Company is Ms. Tan Lai Ming, a fellow member of The Hong Kong Institute of Certified Public Accountants. Ms. Tan is also the financial controller of the Company. As an employee of the Company, the company secretary assists the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. She has taken not less than 15 hours of relevant professional training in 2018.

REMUNERATION COMMITTEE

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

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

- to recommend to the Board on the Company's policies and structure for the remuneration of the Directors and senior management of the Group;
- to determine the remuneration packages of all executive Directors and senior management of the Group; and
- to review and approve the management's remuneration proposal with reference to corporate goals and objectives resolved by the Board from time to time.

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

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

The Remuneration Committee held one meeting in 2018. Details of the attendance record of the committee meetings are as follows:

Committee members	Attended/Held
Mr. Lau Chuk Kin	1/1
Mr. Yeung Ka Sing	1/1
Prof. Lee Hau Leung (appointed on 14 September 2018)	1/1
Dr. Ng Lai Man, Carmen	1/1

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

Pursuant to paragraph B.1.5 of the Code, the remuneration of the senior advisor and the members of the senior management paid by the Group by band for the year ended 31 December 2018 is set out below:

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

NOMINATION COMMITTEE

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

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

The Nomination Committee held two meetings in 2018. Details of the attendance record of the committee meetings are as follows:

Committee members	Attended/Held
Mr. Lau Chuk Kin	2/2
Mr. Yeung Ka Sing	1/2
Prof. Lee Hau Leung (appointed on 14 September 2018)	1/1
Dr. Ng Lai Man, Carmen	2/2
Mr. Tsui King Chung, David (resigned on 14 September 2018)	1/1

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

AUDIT COMMITTEE

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

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

The Audit Committee held three meetings in 2018. Details of the attendance record of the committee meetings are as follows:

Committee members	Attended/Held
Dr. Ng Lai Man, Carmen	3/3
Mr. Yeung Ka Sing	2/3
Prof. Lee Hau Leung (appointed on 14 September 2018)	1/1
Mr. Tsui King Chung, David (resigned on 14 September 2018)	2/2

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

The Group's 2018 interim report and 2017 annual report have been reviewed by the Audit Committee, which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. For the 2017 annual report, the Audit Committee met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending it to the Board for approval. The Audit Committee also monitored the Company's progress in implementing the code provisions on corporate governance practices as required under the Listing Rules.

AUDITOR'S REMUNERATION

The fees in relation to services provided by the Company's auditor and its related network firms for the year ended 31 December 2018 were as follows:

	HK$'000
Audit and review of financial reports	
BDO Limited, Hong Kong	1,350
Other BDO network firms	810
	2,160
Other non-audit services	
BDO Limited, Hong Kong	1,007
Other BDO network firms	634
	1,641

COMMUNICATION WITH SHAREHOLDERS

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

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

– periodic disclosure through the annual and interim reports;

– notices of meetings and explanatory material;

– the annual general meetings and other general meetings; and

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

The Board endeavours to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation. The Chairman of the Board attended the AGM held in 2018 to answer questions and collect views of shareholders. The external auditor also attended the annual general meeting to answer questions of shareholders.

SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Lion Rock Group Limited (the Company) and its subsidiaries (together the Group) set out on pages 38 to 138, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Impairment assessment on goodwill

Refer to note 16 and the Group's critical accounting estimates and judgements in relation to impairment of goodwill set out in note 4(i) to the consolidated financial statements

As at 31 December 2018, the Group had goodwill of HK$176,910,000 relating to the acquisitions of Asia Pacific Offset Limited, OPUS Group Limited and Regent Publishing Services Limited. Goodwill is assessed annually for impairment.

Management concluded that there was no impairment in respect of the cash-generating units to which goodwill was allocated. This conclusion was based on value-in-use calculations that require the estimation of recoverable amounts, as detailed in note 16 to the consolidated financial statements.

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

OUR RESPONSE

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

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

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

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

Impairment assessment on trade receivables

Refer to note 21 and the Group's critical accounting estimates and judgements in relation to impairment of receivables set out in note 4(iii) to the consolidated financial statements

As at 31 December 2018, the carrying amount of trade receivables amounted to HK$447,658,000 which represented 36% of the Group's current assets. Impairment loss on trade receivables of HK$5,064,000 was recognised in profit or loss during the year.

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

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

OUR RESPONSE

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

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

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

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

– Inspecting subsequent cash receipts from customers after the financial year end relating to trade receivables balances as at 31 December 2018, on a sample basis; and

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

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hong Kong, 12 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018	2017
		HK$'000	HK$'000
Revenue	5	1,665,369	1,582,725
Direct operating costs		(1,192,284)	(1,137,197)
Gross profit		473,085	445,528
Other income	7	87,267	52,280
Selling and distribution costs		(211,534)	(196,203)
Administrative expenses		(108,169)	(95,958)
Other expenses		(33,711)	(2,963)
Impairment of goodwill	16	–	(1,294)
Share of profit of associate	18	11,266	–
Finance costs	8	(3,988)	(2,870)
Profit before income tax	9	214,216	198,520
Income tax expense	12	(29,972)	(39,072)
Profit for the year		184,244	159,448
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Loss in fair value of equity instruments at fair value through other comprehensive income	18	(12,551)	–
Items that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations		(29,411)	36,176
Exchange reserve released upon deregistration/ disposal of a subsidiary	35	(28,311)	557
Changes in fair value of available-for-sale financial assets		–	5,100
Share of other comprehensive income of associate		(3,806)	–
Other comprehensive income for the year, net of tax		(74,079)	41,833
Total comprehensive income for the year		110,165	201,281

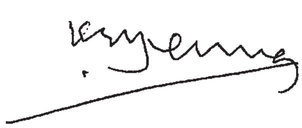
	Notes	2018	2017
		HK$'000	HK$'000
Profit for the year attributable to:			
Owners of the Company		169,395	147,668
Non-controlling interests		14,849	11,780
		184,244	159,448
Total comprehensive income attributable to:			
Owners of the Company		105,733	185,952
Non-controlling interests		4,432	15,329
		110,165	201,281
Earnings per share for profit attributable to owners of the Company during the year	14		
Basic		HK22.00 cents	HK19.18 cents
Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018	2017
		HK$'000	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	143,369	112,240
Deposits for acquisition of property, plant and equipment		39,645	11,013
Intangible assets	16	180,952	192,643
Available-for-sale financial assets	17	–	47,835
Interest in associate	18	56,168	–
Loan to associate	18	53,600	–
Other non-current assets	19	2,804	3,680
Deferred tax assets	27	34,332	36,190
		510,870	403,601
Current assets			
Inventories	20	179,818	131,441
Trade and other receivables and deposits	21	533,956	475,387
Financial assets at fair value through profit or loss	22	673	–
Tax recoverable		–	192
Pledged deposit	23	5,808	–
Cash and bank balances	23	508,321	424,217
		1,228,576	1,031,237
Current liabilities			
Trade and other payables	24	234,498	255,692
Bank borrowings	25	286,040	69,365
Finance lease liabilities	26	605	337
Provisions	28	20,917	21,912
Financial liabilities at fair value through profit or loss	22	–	3,810
Provision for taxation		9,265	–
		551,325	351,116
Net current assets		677,251	680,121
Total assets less current liabilities		1,188,121	1,083,722

	Notes	2018	2017
		HK$'000	HK$'000
Non-current liabilities			
Financial liabilities arising from put option	37	14,588	14,198
Provisions	28	3,759	11,641
Finance lease liabilities	26	1,935	1,196
Deferred tax liabilities	27	5,771	7,865
		26,053	34,900
Net assets		1,162,068	1,048,822
EQUITY			
Share capital	29	7,700	7,700
Reserves	31	1,036,738	979,089
Equity attributable to owners of the Company		1,044,438	986,789
Non-controlling interests		117,630	62,033
Total equity		1,162,068	1,048,822



Yeung Ka Sing

Director

Lau Chuk Kin

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company														Non-controlling interests	Total equity
	Share capital	Share premium	Exchange reserve	Merger reserve	Contributed surplus	Available-for-sale financial assets reserve	Put option reserve	Statutory reserve	Other reserve	Employee compensation reserve	Share award scheme reserve	Proposed final and special dividend	Retained earnings	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1 January 2017	7,700	173,078	(51,179)	(136,875)	310,125	–	–	–	(12,380)	–	(5)	46,200	553,237	889,901	55,838	945,739
2016 final dividend paid (Note 13)	–	–	–	–	–	–	–	–	–	–	–	(34,650)	–	(34,650)	–	(34,650)
2016 special dividend paid (Note 13)	–	–	–	–	–	–	–	–	–	–	–	(11,550)	–	(11,550)	–	(11,550)
2017 interim dividend paid (Note 13)	–	–	–	–	–	–	–	–	–	–	–	–	(23,100)	(23,100)	–	(23,100)
Acquisition of a subsidiary (Note 37(a))	–	–	–	–	–	–	–	–	–	–	–	–	–	–	8,837	8,837
Deemed acquisition of non-controlling interests (Note 36(c))	–	–	–	–	–	–	–	–	(4,776)	–	–	–	–	(4,776)	(14,515)	(19,291)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(4,945)	(4,945)
Appropriation to statutory reserve	–	–	–	–	–	–	–	737	–	–	–	–	(737)	–	–	–
Put option granted to non-controlling interests of a subsidiary (Note 37(b))	–	–	–	–	–	–	(13,906)	–	–	–	–	–	–	(13,906)	–	(13,906)
Equity-settled share based payment expenses	–	–	–	–	–	–	–	–	–	407	–	–	–	407	–	407
Exercise of share options in a subsidiary (Note 36(d))	–	–	–	–	–	–	–	–	(1,489)	–	–	–	–	(1,489)	1,489	–
Transactions with owners	–	–	–	–	–	–	(13,906)	737	(6,265)	407	–	(46,200)	(23,837)	(89,064)	(9,134)	(98,198)
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	147,668	147,668	11,780	159,448
Other comprehensive income																
Currency translation	–	–	32,627	–	–	–	–	–	–	–	–	–	–	32,627	3,549	36,176
Release upon disposal of a subsidiary (Note 35)	–	–	557	–	–	–	–	–	–	–	–	–	–	557	–	557
Available-for-sale financial assets	–	–	–	–	–	5,100	–	–	–	–	–	–	–	5,100	–	5,100
Total comprehensive income for the year	–	–	33,184	–	–	5,100	–	–	–	–	–	–	147,668	185,952	15,329	201,281
2017 proposed final dividend (Note 13)	–	–	–	–	–	–	–	–	–	–	–	50,050	(50,050)	–	–	–
Balance at 31 December 2017	7,700	173,078	(17,995)	(136,875)	310,125	5,100	(13,906)	737	(18,645)	407	(5)	50,050	627,018	986,789	62,033	1,048,822

	Attributable to owners of the Company															Non-controlling interests	Total equity
	Share capital	Share premium	Exchange reserve	Merger reserve	Contributed surplus	Available-for-sale financial assets reserve	FVOCI reserve	Put option reserve	Statutory reserve	Other reserve	Employee compensation reserve	Share award scheme reserve	Proposed final and special dividend	Retained earnings	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1 January 2018																	
– As originally presented	7,700	173,078	(17,995)	(136,875)	310,125	5,100	–	(13,906)	737	(18,645)	407	(5)	50,050	627,018	986,789	62,033	1,048,822
– Initial application of HKFRS 9 (note 3(A)(i))	–	–	–	–	–	(5,100)	5,100	–	–	–	–	–	–	–	–	–	–
	7,700	173,078	(17,995)	(136,875)	310,125	–	5,100	(13,906)	737	(18,645)	407	(5)	50,050	627,018	986,789	62,033	1,048,822
2017 final dividend paid (Note 13)	–	–	–	–	–	–	–	–	–	–	–	–	(50,050)	–	(50,050)	–	(50,050)
2018 interim dividend paid (Note 13)	–	–	–	–	–	–	–	–	–	–	–	–	–	(23,100)	(23,100)	–	(23,100)
Deemed disposal of interests in a subsidiary (Note 36(b)(ii))	–	–	–	–	–	–	–	–	–	28,062	–	–	–	–	28,062	66,196	94,258
Deemed acquisition of interests in a subsidiary (Note 36(b)(i))	–	–	–	–	–	–	–	–	–	(2,996)	–	–	–	–	(2,996)	10,896	7,900
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(25,927)	(25,927)
Release of FVOCI reserve as a result of obtaining significant influence over the investee (Note 18)	–	–	–	–	–	–	7,451	–	–	–	–	–	–	(7,451)	–	–	–
Call options cancelled (Note 37(c))	–	–	–	–	–	–	–	–	–	–	(407)	–	–	407	–	–	–
Transactions with owners	–	–	–	–	–	–	7,451	–	–	25,066	(407)	–	(50,050)	(30,144)	(48,084)	51,165	3,081
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	–	169,395	169,395	14,849	184,244
Other comprehensive income																	
Currency translation	–	–	(25,900)	–	–	–	–	–	–	–	–	–	–	–	(25,900)	(3,511)	(29,411)
Release upon deregistration of a subsidiary (Note 35)	–	–	(21,405)	–	–	–	–	–	–	–	–	–	–	–	(21,405)	(6,906)	(28,311)
Changes in fair value of equity instruments at FVOCI (Note 18(c))	–	–	–	–	–	–	(12,551)	–	–	–	–	–	–	–	(12,551)	–	(12,551)
Share of other comprehensive income of associate	–	–	(3,242)	–	–	–	–	–	–	–	–	–	–	(564)	(3,806)	–	(3,806)
Total comprehensive income for the year	–	–	(50,547)	–	–	–	(12,551)	–	–	–	–	–	–	168,831	105,733	4,432	110,165
2018 proposed final dividend (Note 13)	–	–	–	–	–	–	–	–	–	–	–	–	53,900	(53,900)	–	–	–
Balance at 31 December 2018	7,700	173,078	(68,542)	(136,875)	310,125	–	–	(13,906)	737	6,421	–	(5)	53,900	711,805	1,044,438	117,630	1,162,068

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018	2017
		HK$'000	HK$'000
Cash flows from operating activities			
Profit before income tax		214,216	198,520
Adjustments for:			
Depreciation	9	32,979	38,525
Amortisation of intangible assets	16	3,233	2,425
Amortisation of other non-current assets	9	1,960	3,296
(Gain)/Loss on financial assets/liabilities at fair value through profit or loss	7,9	(612)	5,669
Impairment of trade receivables recovered	7	(259)	(9,355)
Interest income	7	(4,242)	(3,489)
Gain on disposals of property, plant and equipment	9	(5,885)	(2,412)
Impairment of goodwill	16	–	1,294
Gain on deregistration of a subsidiary	7	(28,311)	–
Loss on disposal of a subsidiary	35	–	732
Impairment of trade receivables	9	5,064	2,279
Expected credit loss on loan to associate	9	1,000	–
Bad debts written off	9	107	684
Interest element of finance lease payments	8	110	90
Imputed interest on financial liabilities arising from put option	8	390	292
Interest expenses	8	3,488	2,488
Reversal of provisions for leasehold dilapidations	7	(7,294)	–
Write back of inventories	9	(1,108)	(3,236)
Write back of accruals	7	(5,792)	(152)
Equity-settled share-based payment expenses	11	–	407
Share of profit of associate		(11,266)	–
Operating profit before working capital changes		197,778	238,057
Increase in inventories		(54,304)	(39,237)
Increase in trade and other receivables and deposits		(71,981)	(27,061)
(Decrease)/Increase in trade and other payables		(9,325)	18,752
Increase in provisions		363	5,725
Change in financial assets/liabilities at fair value through profit or loss		(3,871)	3,613

	Notes	2018	2017
		HK$'000	HK$'000
Cash generated from operations		58,660	199,849
Income taxes paid		(22,690)	(42,589)
Net cash generated from operating activities		35,970	157,260
Cash flows from investing activities			
Disposals of a subsidiary, net of cash disposed	35	–	(137)
Interest received		4,242	3,489
Proceeds on disposals of property, plant and equipment		6,936	12,921
Purchases of property, plant and equipment		(69,345)	(18,219)
Increase in deposits for acquisition of property, plant and equipment		(29,034)	(11,013)
Increase in pledged deposit		(5,808)	–
Acquisition of subsidiary, net of cash acquired	37(a)	–	(28,251)
Purchase of available-for-sale financial assets	17	–	(42,349)
Purchase of financial assets at fair value through other comprehensive income	18(c)	(11,947)	–
Payments for deemed acquisition of non-controlling interests	36(c)	–	(19,291)
Purchase of additional interest in associate	18(d)	(1,434)	–
Loan advanced to associate		(54,600)	–
Net cash used in investing activities		(160,990)	(102,850)
Cash flows from financing activities			
New bank borrowings		273,640	15,490
Repayments of bank borrowings		(55,375)	(40,891)
Interest on bank borrowings paid		(3,488)	(2,488)
Capital element of finance lease liabilities paid		(309)	(561)
Interest element of finance lease liabilities paid		(110)	(90)
Dividends paid to the owners of the Company	13	(73,150)	(69,300)
Dividends paid to non-controlling interests	40	(18,027)	(4,945)
Net proceeds from new shares issued by a subsidiary	36(b)(ii)	94,258	–
Net cash generated from/(used in) financing activities		217,439	(102,785)
Net increase/(decrease) in cash and cash equivalents		92,419	(48,375)
Effect of exchange rate fluctuations, net		(8,315)	11,437
Cash and cash equivalents at 1 January		424,217	461,155
Cash and cash equivalents at 31 December		508,321	424,217
Analysis of cash and cash equivalents			
Cash and bank balances		508,321	424,217

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 26/F, 625 King's Road, North Point, Hong Kong. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") in 2011.

The Company acts as an investment holding company. Details of the activities of its principal subsidiaries are set out in Note 39 to the financial statements. The Company and its subsidiaries are collectively referred to as the "Group" hereafter.

The financial statements for the year ended 31 December 2018 were approved for issue by the board of directors of the Company (the "Directors") on 12 March 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 38 to 138 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

2.2 Business combination and basis of consolidation

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Business combination and basis of consolidation (Continued)

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

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

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in those non-controlling interests having a deficit balance.

2.3 Subsidiaries

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Associates

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

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

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

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

2.5 Foreign currency translation

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

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

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

2.6 Property, plant and equipment

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

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

Buildings on freehold land	4% – 14%
Furniture and fixtures	10% – 50%
Office equipment	10% – 50%
Leasehold improvements	4% – 50% or over the lease terms, whichever is shorter
Computer equipment and systems	20% – 100%
Motor vehicles	12.5% – 33.33%
Machinery	5% – 50%

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment (Continued)

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

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

Assets held under finance leases are depreciated over their estimated useful lives or where shorter the term of the lease using the same method as owned assets in the same category.

2.7 Goodwill

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

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

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGU") that are expected to benefit from the synergies of the acquisition. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see Note 2.16), and whenever there is an indication that the unit may be impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Goodwill (Continued)

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

2.8 Intangible assets (other than goodwill)

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

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

2.9 Financial instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

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

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (accounting policies applied from 1 January 2018) (Continued)

(i) Financial assets (Continued)

(a) Debt instruments

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (accounting policies applied from 1 January 2018) (Continued)

(i) Financial assets (Continued)

(b) Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables, loan to associate, and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

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

For other receivables, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (accounting policies applied from 1 January 2018) (Continued)

(ii) Impairment loss on financial assets (Continued)

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

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

(iii) Financial liabilities

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

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (accounting policies applied from 1 January 2018) (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss (Continued)

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

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

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

Financial liabilities at amortised cost

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

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

(iv) Effective interest method

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (accounting policies applied from 1 January 2018) (Continued)

(v) Derecognition

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

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

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

2.10 Financial instruments (accounting policies applied until 31 December 2017)

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries are set out below. The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial instruments (accounting policies applied until 31 December 2017) (Continued)

(i) Financial assets (Continued)

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(ii) Available-for-sale financial assets

These are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the investment revaluation reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recycled to profit or loss. Interest calculated using effective interest method is recognised in profit or loss. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial instruments (accounting policies applied until 31 December 2017) (Continued)

(i) Financial assets (Continued)

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment and impairment is recognised based on the classification of the financial asset.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– Significant financial difficulty of the debtors;

– A breach of contract, such as a default or delinquency in interest or principal payments;

– It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtors; and

– A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, impairment loss is measured and recognised as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial instruments (accounting policies applied until 31 December 2017) (Continued)

(i) Financial assets (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of loss is recognised in profit or loss of the year in which the impairment occurs.

If, in subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the year in which the reversal occurs.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals of impairment for investment in equity instruments classified as available-for-sale are not recognised in profit or loss. The subsequent increase in fair value is recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial instruments (accounting policies applied until 31 December 2017) (Continued)

(i) Financial assets (Continued)

Impairment of financial assets (Continued)

Available-for-sale financial assets (Continued)

For financial assets other than financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Financial liabilities

The Group's financial liabilities include bank borrowings, trade and other payables, financial liabilities at fair value through profit or loss and finance lease liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2.18).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Finance lease liabilities

Finance lease liabilities are measured at Initial Value (defined in Note 2.14) less the capital element of lease repayments (see Note 2.14).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial instruments (accounting policies applied until 31 December 2017) (Continued)

(ii) Financial liabilities (Continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowing using effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Financial liabilities at fair value through profit or loss

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are recognised initially at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

Trade and other payables and financial liabilities arising from put option

These are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method.

2.11 Share capital

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Inventories

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

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

2.13 Cash and cash equivalents

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

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

2.14 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Leases (Continued)

(i) *Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset or, if lower, the present value of the minimum lease payments (the "Initial Value"), of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance lease charges, are recorded as finance lease liabilities.

Subsequent accounting for assets held under finance leases corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance lease charges.

(iii) *Operating lease charges as the lessee*

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss using straight-line method over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the period in which they are incurred.

(iv) *Assets leased out under operating leases as the lessor*

Rental income from operating leases is recognised in profit or loss on straight-line method over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on straight-line method over the lease term.

(v) *Other non-current assets*

The balance mainly represented lease prepayments for certain building and office equipment. These payments are stated at cost and are amortised over the period of the lease, which are 4 – 10 years on straight-line method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Revenue recognition

(a) Revenue from contracts with customers

Accounting policies applied from 1 January 2018

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Revenue recognition (Continued)

(a) *Revenue from contracts with customers (Continued)*

Accounting policies applied from 1 January 2018 (Continued)

Contract assets and liabilities:

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

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

Accounting policies applied until 31 December 2017

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, rendering of services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

– Printing income and sale of scrapped paper and by-products are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

(b) *Rental income, interest income and dividend income (Accounting policies applied for the years ended 31 December 2017 and 2018)*

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Impairment of assets (other than financial assets)

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

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

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

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

2.17 Employee benefits

(i) Retirement benefit schemes

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Employee benefits (Continued)

(i) *Retirement benefit schemes (Continued)*

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

(ii) *Share-based employee compensation*

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Employee benefits (Continued)

(iii) Bonus plans

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

(iv) Short-term employee benefits

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

(v) Other long-term employee benefits

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

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

2.18 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Income taxes

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

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

2.20 Segment reporting

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Segment reporting (Continued)

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

- expenses related to share-based payments
- finance costs
- share of profits of associate
- income tax expense

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

Segment assets include all assets.

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

2.21 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Related parties (Continued)

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

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

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

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

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

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

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

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

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

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

2.22 Government grants

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Provisions and contingent liabilities

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

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

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

3.1 Adoption of new or amended HKFRSs

During the year, the Group has adopted all the new or amended HKFRSs which are first effective for the reporting year and relevant to the Group as follows.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

Except as explained below, the adoption of these new or amended HKFRSs did not result in material changes to the Group's accounting policies.

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

3.1 Adoption of new or amended HKFRSs (Continued)

(A) HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

As of 1 January 2018, the Group's investment in listed equity investments were reclassified from available-for-sale financial assets to FVOCI. Under HKFRS 9, the Group has designated these equity investments at the date of initial application as measured at FVOCI. As a result, as at 1 January 2018, the balance of HK$47,835,000 was reclassified from available-for-sale financial assets at fair value to FVOCI and the related reserve balance of HK$5,100,000 was reclassified from available-for-sale assets reserve to FVOCI reserve on 1 January 2018.

Movements of the related reserves are set out in table form, as follows:

	Available-for-sale financial assets reserve	FVOCI reserve
	HK$'000	HK$'000
As at 31 December 2017	5,100	–
Reclassification of reserves upon adoption of HKFRS 9	(5,100)	5,100
Restated as at 1 January 2018	–	5,100

FVOCI represents financial assets at fair value through other comprehensive income.

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

3.1 Adoption of new or amended HKFRSs (Continued)

(A) HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) FVOCI; or (iii) FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion or "SPPI criterion"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

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

3.1 Adoption of new or amended HKFRSs (Continued)

(A) HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The accounting policies have been applied to the Group's FVTPL, financial assets at amortised cost and FVOCI (equity instruments) are detailed in Notes 2.9(i)(a)(2), 2.9(i)(a)(1) and 2.9(i)(b) respectively.

(ii) Impairment of financial assets

Under HKFRS 9, loss allowances are measured as set out in Note 2.9(ii). The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "ECL model". HKFRS 9 requires the Group to recognise ECL for its trade receivables, financial assets at amortised cost and contract assets earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but impairment is immaterial for the current period.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of ECL model

The adoption of the ECL model did not result in material impact to the Group's trade and other receivables.

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

3.1 Adoption of new or amended HKFRSs (Continued)

(A) HKFRS 9 – Financial Instruments (Continued)

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9:

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

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

3.1 Adoption of new or amended HKFRSs (Continued)

(B) HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The adoption of HKFRS 15 does not have a material impact on the amounts reported to the consolidated financial statements of the Group based on the existing business model of the Group. However, upon the adoption of HKFRS 15, amount previously presented as "receipt in advances" as at 31 December 2017 has been reclassified as "contract liabilities" on 1 January 2018. These contract liabilities mainly relate to advance considerations received from customers and arose from sale of goods. The Group may take certain deposits from customers on acceptance of the order, with the remainder of the consideration payable at the earlier of delivery of the finished goods. If the customer cancels the order, then the Group immediately refund the deposit less costs incurred, if any, to customers. Details of the impact upon the adoption of HKFRS 15 are set out in Note 24.

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

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

At the date of this report, the following new or amended HKFRSs have been published but are not yet effective, and have not been early adopted by the Group.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Business Combinations[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 1	Presentation of Financial Statements[2]
Amendments to HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after 1 January 2021

4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred / removed. Early application of the amendments of the amendments continue to be permitted.

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The Directors are currently assessing the impact of the new or amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs will not result in material financial impact on the consolidated financial statements. Information on new or amended HKFRSs that are expected to have an impact on the Group's accounting policies is provided below.

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

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

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Estimated impairment of goodwill

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

(ii) Net realisable value of inventories

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

(iii) Provision for expected credit losses of trade receivables

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

The provision of ECLs is sensitive to changes in circumstances and of forecast general economic conditions. The information about the ECLs and the Group's trade receivables are disclosed in Notes 41 and 21 respectively. If the financial condition of the customers or the forecast economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(iv) Depreciation

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

(v) Current taxation and deferred taxation

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(vi) Fair value measurement

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

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

Level 1: Quoted prices in active markets for identical items (unadjusted);
Level 2: Observable direct or indirect inputs other than Level 1 inputs;
Level 3: Unobservable inputs (i.e. not derived from market data).

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

The Group measures certain financial assets/liabilities at fair value. For more detailed information in relation to the fair value measurement of the items above, please refer to Note 42.

(vii) Employee benefits provision

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

5. REVENUE

Revenue represents the printing income earned by the Group during the year.

6. SEGMENT INFORMATION

The executive directors have identified that the Group has only one reportable segment, which is the provision of printing services.

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

	Revenue from external customers		Non-current assets (excluding deferred tax assets, interest in associate, loan to associate and available-for-sale financial assets)	
	2018	2017	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000
PRC	–	–	117,935	70,965
United States of America ("USA")	610,222	487,280	19	25
Australia	531,237	671,688	149,483	143,520
United Kingdom	261,377	164,957	6	7
Spain	63,191	61,954	–	–
Mexico	26,034	14,628	–	–
Germany	25,849	2,216	–	–
Peru	24,452	19,609	–	–
New Zealand	20,347	18,716	–	–
Singapore	17,040	15,783	8,794	11,136
Chile	14,770	13,784	–	–
Argentina	11,890	12,746	–	–
Bolivia	10,722	8,846	–	–
Canada	10,008	8,927	–	–
Brazil	7,262	6,980	–	–
France	1,157	22,485	–	–
Hong Kong (domicile)	568	19,563	90,533	93,923
Austria	446	11,553	–	–
Costa Rica	–	2,046	–	–
Others	28,797	18,964	–	–
	1,665,369	1,582,725	366,770	319,576

6. SEGMENT INFORMATION (Continued)

Sales by geographical markets are analysed based on the location of customers and the geographical location of non-current assets is based on (1) the physical location of the assets (for property, plant and equipment) and (2) location of operations (for intangible assets).

There was no single customer who contributed to 10% or more of the Group's revenue for the years ended 31 December 2018 and 2017. Revenue from single customer included the sales to entities which are, the best knowledge by the Group, under common control with these customers.

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

	2018	2017
	HK$'000	HK$'000
Reportable segment profit	206,938	201,797
Share of profit of associate	11,266	–
Equity-settled share-based payments	–	(407)
Finance costs	(3,988)	(2,870)
Profit before income tax	214,216	198,520
Reportable segment liabilities	285,567	308,786
Deferred tax liabilities	5,771	7,865
Borrowings	286,040	69,365
Group liabilities	577,378	386,016

7. OTHER INCOME

	2018	2017
	HK$'000	HK$'000
Sales of scrapped paper and by-products	22,423	19,286
Gain on financial assets/liabilities at fair value through profit or loss	612	–
Net foreign exchange gain	–	13,173
Bad debts recovered	5,678	22
Impairment of trade receivables recovered (Note 21)	259	9,355
Interest income	4,242	3,489
Rental income	3,231	164
Gain on deregistration of a subsidiary (Note 35)	28,311	–
Gain on disposals of property, plant and equipment	5,885	2,412
Government grants	373	476
Write back of accruals and other payables	5,792	152
Reversal/write back of provisions for leasehold dilapidations (Note)	7,294	–
Sundry income	3,167	3,751
	87,267	52,280

Note: Reversal/write back of provision for leasehold dilapidations in current year was as a result of renewal of a lease arrangement with the landlord and updated assessment on the estimated cost of leasehold dilapidations. Accordingly, provision for leasehold dilapidations of HK$7,294,000 was reversed and recognised in profit or loss for the year.

8. FINANCE COSTS

	2018	2017
	HK$'000	HK$'000
Interest charges on bank borrowings, which contain a repayment on demand clause	3,488	2,488
Finance lease charges	110	90
Imputed interest on financial liabilities arising from put option (Note 37(b))	390	292
	3,988	2,870

9. PROFIT BEFORE INCOME TAX

	2018	2017
	HK$'000	HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration (Note (i) below)	2,673	2,454
Impairment of trade receivables (Note 21)	5,064	2,279
Expected credit loss on loan to associate (Note 18(f))	1,000	–
Bad debts written off	107	684
Cost of inventories recognised as expense	1,192,284	1,137,197
Write-back of inventories (Note 20)	(1,108)	(3,236)
Depreciation of property, plant and equipment (Note 15 and Note (ii) below)		
– Owned	32,511	38,198
– Held under finance leases	468	327
Amortisation of other non-current assets (Note 19)	1,960	3,296
Listing expenses of a subsidiary (included in other expenses)	27,540	–
Amortisation of intangible assets (Note 16)	3,233	2,425
Gain on disposals of property, plant and equipment	(5,885)	(2,412)
Minimum lease payments paid under operating leases in respect of rented premises and production facilities	38,195	31,186
Net on foreign exchange loss/(gain)	1,273	(13,173)
(Gain)/Loss on financial assets/liabilities at fair value through profit or loss	(612)	5,669
Employee benefit expense (Note 11 and Note (iii) below)	311,831	304,427

Notes:

(i) Auditor's remuneration for other non-audit services of HK$1,641,000 was recognised during the year (2017: HK$231,000).

(ii) Depreciation charges of HK$28,538,000 (2017: HK$35,238,000) and HK$4,441,000 (2017: HK$3,287,000) have been included in direct operating costs and administrative expenses respectively.

(iii) Employee benefit expense of HK$198,543,000 (2017: HK$202,973,000), HK$67,595,000 (2017: HK$61,110,000) and HK$45,693,000 (2017: HK$40,344,000) have been included in direct operating costs, selling and distribution costs and administrative expenses respectively.

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	Fee	Salaries and allowances	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
2018				
Executive directors				
Mr. Lau Chuk Kin	–	1,200	–	1,200
Mr. Chu Chun Wan	–	2,014	156	2,170
Ms. Lam Mei Lan	–	1,080	–	1,080
Mr. Lam Wing Yip (retired on 27 April 2018)	–	534	6	540
Non-executive director				
Mr. Guo Junsheng	120	–	–	120
Mr. Li Hoi, David	120	500	–	620
Independent non-executive directors				
Mr. Yeung Ka Sing	240	–	–	240
Prof. Lee Hau Leung	170	–	–	170
Dr. Ng Lai Man, Carmen	210	–	–	210
Mr. Tsui King Chung, David (resigned on 14 September 2018)	158	–	–	158
	1,018	5,328	162	6,508

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

(a) Directors' emoluments (Continued)

	Fee	Salaries and allowances	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
2017				
Executive directors				
Mr. Lau Chuk Kin	–	1,200	–	1,200
Mr. Chu Chun Wan	–	1,873	147	2,020
Ms. Lam Mei Lan	–	840	–	840
Mr. Lam Wing Yip	–	1,680	18	1,698
Non-executive director				
Mr. Guo Junsheng	120	–	–	120
Mr. Li Hoi, David (re-designated from executive director to non-executive director on 1 September 2017)	40	1,066	–	1,106
Independent non-executive directors				
Mr. Yeung Ka Sing	240	–	–	240
Prof. Lee Hau Leung	150	–	–	150
Dr. Ng Lai Man, Carmen	210	–	–	210
Mr. Tsui King Chung, David	210	–	–	210
	970	6,659	165	7,794

During each of the two years ended 31 December 2018 and 2017, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2017: two) directors whose emolument are reflected in the analysis presented above. Emoluments payable to the remaining four (2017: three) individuals during the year are as follows:

	2018	2017
	HK$'000	HK$'000
Salaries, allowances and other benefits	7,367	4,755
Retirement benefit scheme contributions	247	126
	7,614	4,881

Their emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands		
HK$1,000,001 – HK$1,500,000	1	1
HK$1,500,001 – HK$2,000,000	2	2
HK$2,000,001 – HK$2,500,000	1	–
	4	3

During each of the two years ended 31 December 2018 and 2017, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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

	Number of individuals	
	2018	2017
Emolument bands		
Nil – HK$1,000,000	4	3
HK$1,000,001 – HK$1,500,000	5	4
HK$1,500,001 – HK$2,000,000	1	1
HK$2,000,001 – HK$2,500,000	1	–

11. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2018	2017
	HK$'000	HK$'000
Directors' fees	1,018	970
Wages, salaries and other benefits	295,638	287,384
Equity-settled share-based payments (Note 37(c))	–	407
Retirement benefit scheme contributions	15,175	15,666
	311,831	304,427

12. INCOME TAX EXPENSE

For year ended 31 December 2018, under the two-tiered profits tax rate regime, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. The profits of group entities not qualified for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

For year ended 31 December 2017, Hong Kong Profits tax is calculated at a flat rate of 16.5% of the estimated assessable profit.

Taxation on 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.

	2018	2017
	HK$'000	HK$'000
Current tax – Hong Kong profits tax		
Tax for the year	20,842	20,654
(Over)/Under provision in prior years	(209)	169
	20,633	20,823
Current tax – overseas		
Tax for the year	13,637	16,392
Over provision in prior years	(1,734)	(952)
	11,903	15,440
Deferred tax (Note 27)		
(Credited)/Charged during the year	(2,564)	2,809
	29,972	39,072

12. INCOME TAX EXPENSE (Continued)

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

	2018	2017
	HK$'000	HK$'000
Profit before income tax	214,216	198,520
Notional tax calculated at the rates applicable to the profits in the tax jurisdictions concerned	42,656	40,702
Tax effect of non-taxable revenue	(11,124)	(6,230)
Tax effect of non-deductible expenses	1,323	4,080
Tax effect of temporary differences not recognised	(750)	411
Tax effect of tax losses not recognised	692	703
PRC dividend withholding tax	(1,300)	250
Others	418	(61)
Over provision in prior years	(1,943)	(783)
Income tax expense	29,972	39,072

13. DIVIDENDS

	2018	2017
	HK$'000	HK$'000
Final dividend paid in respect of prior year of HK$0.065 (2017: HK$0.045) per share	50,050	34,650
Special dividend paid in respect of prior year of Nil (2017: HK$0.015) per share	–	11,550
Interim dividend paid in respect of current year of HK$0.03 (2017: HK$0.03) per share	23,100	23,100
	73,150	69,300

At a meeting held on 12 March 2019, the directors recommended a final dividend of HK$0.07 per ordinary share. Those proposed dividends 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 2018.

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

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK$169,395,000 (2017: HK$147,668,000) and on the weighted average number of ordinary shares in issue less shares held under share award scheme that have not been vested unconditionally by the employees during the year of 769,997,090 (2017: 769,997,090).

No diluted earnings per share are presented as the Group has no dilutive events on ordinary shares during the year (2017: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Furniture and fixtures	Office equipment	Leasehold improvements	Computer equipment and systems	Motor vehicles	Machinery	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017								
Cost	11,031	5,086	7,580	55,607	12,275	3,284	305,825	400,688
Accumulated depreciation	(2,794)	(4,748)	(4,466)	(45,952)	(11,702)	(1,440)	(195,667)	(266,769)
Net book amount	8,237	338	3,114	9,655	573	1,844	110,158	133,919
Year ended 31 December 2017								
Opening net book amount	8,237	338	3,114	9,655	573	1,844	110,158	133,919
Exchange differences	724	1	220	239	39	45	6,320	7,588
Additions	–	103	362	5,194	984	–	12,956	19,599
Disposals	–	(7)	(3)	(1)	(5)	(189)	(10,304)	(10,509)
Acquisition of subsidiary (Note 37(a))	–	27	91	191	35	–	–	344
Disposed through disposal of subsidiaries (Note 35)	–	–	(8)	–	(7)	–	(161)	(176)
Depreciation	(1,032)	(211)	(667)	(3,762)	(394)	(727)	(31,732)	(38,525)
Closing net book amount	7,929	251	3,109	11,516	1,225	973	87,237	112,240
At 31 December 2017 and 1 January 2018								
Cost	12,035	5,062	8,334	61,558	13,302	2,950	303,939	407,180
Accumulated depreciation	(4,106)	(4,811)	(5,225)	(50,042)	(12,077)	(1,977)	(216,702)	(294,940)
Net book amount	7,929	251	3,109	11,516	1,225	973	87,237	112,240
Year ended 31 December 2018								
Opening net book amount	7,929	251	3,109	11,516	1,225	973	87,237	112,240
Exchange differences	(612)	(4)	(55)	(435)	(21)	(17)	(4,486)	(5,630)
Additions	–	65	599	2,329	471	1,150	66,175	70,789
Disposals	–	–	–	(710)	–	–	(341)	(1,051)
Depreciation	(1,016)	(171)	(733)	(3,959)	(602)	(603)	(25,895)	(32,979)
Closing net book amount	6,301	141	2,920	8,741	1,073	1,503	122,690	143,369
At 31 December 2018								
Cost	11,031	5,110	8,701	61,574	13,700	4,535	328,722	433,373
Accumulated depreciation	(4,730)	(4,969)	(5,781)	(52,833)	(12,627)	(3,032)	(206,032)	(290,004)
Net book amount	6,301	141	2,920	8,741	1,073	1,503	122,690	143,369

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2018 and 2017, the Group's freehold land and buildings are situated in Australia.

Net book amount of property, plant and equipment as at 31 December 2018 includes the net carrying amount of HK$2,426,000 (2017: HK$1,473,000) held under finance leases (Note 26).

16. INTANGIBLE ASSETS

	Goodwill	Customer relationship	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2017			
Cost	150,462	–	150,462
Amortisation and impairment	–	–	–
Net carrying amount	150,462	–	150,462
Year ended 31 December 2017			
Opening net carrying amount	150,462	–	150,462
Acquisition of subsidiary (Note 37(a))	27,741	9,700	37,441
Exchange differences	8,459	–	8,459
Impairment losses	(1,294)	–	(1,294)
Amortisation during the year	–	(2,425)	(2,425)
Closing net carrying amount	185,368	7,275	192,643
At 31 December 2017			
Cost	186,662	9,700	196,362
Amortisation and impairment	(1,294)	(2,425)	(3,719)
Net carrying amount	185,368	7,275	192,643
Year ended 31 December 2018			
Opening net carrying amount	185,368	7,275	192,643
Exchange differences	(8,458)	–	(8,458)
Amortisation during the year	–	(3,233)	(3,233)
Closing net carrying amount	176,910	4,042	180,952
At 31 December 2018			
Cost	178,204	9,700	187,904
Amortisation and impairment	(1,294)	(5,658)	(6,952)
Net carrying amount	176,910	4,042	180,952

16. INTANGIBLE ASSETS (Continued)

Goodwill is allocated to the Group's CGU, a summary of which is presented below:

	2018	2017
	HK$'000	HK$'000
Asia Pacific Offset Limited ("APOL")	56,132	56,132
OPUS Group Limited ("OPUS")	93,037	101,495
Regent Publishing Services Limited ("Regent")	27,741	27,741
	176,910	185,368

The recoverable amount for the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using the estimated growth rates as stated below. The growth rate does not exceed the long-term average growth rate for the printing business in which the CGU operates. The discount rates used for value-in-use calculations are pre-tax and reflect specific risks relating to the relevant CGU.

The key assumptions used for value-in-use calculations are as follows:

	Growth rate		Pre-tax discount rate	
	2018	2017	2018	2017
APOL	0%	0%	11%	12%
OPUS	0%	0%	12%	16%
Regent	0%	0%	15%	15%

Apart from the considerations described above in determining the value-in-use of the CGU, management is not aware of any other probable changes that would necessitate changes in the key assumptions. Management determines that the CGU containing goodwill does not suffer any impairment (2017: except for O.G. Printing Productions Limited which had ceased its business in 2017).

Non-contractual customer relationship arose from the acquisition of Regent in 2017 (Note 37(a)). In accordance with HKFRS 3 "Business Combination", the Group recognised Regent's assets and liabilities which included intangible assets at the acquisition date. The fair value of customer relationship of HK$9,700,000 on the acquisition date was determined based on a valuation performed by an independent professional valuer, BMI Appraisals Limited. The valuation was determined based on the discounted cash flow method of income approach.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This represented investment in equity securities, namely The Quarto Group, Inc., the shares of which are listed in London Stock Exchange. The balance was subsequently accounted for as an associate during the year as a result of increase in significant influence over this investment (Note 18).

18. INTEREST IN ASSOCIATE/LOAN TO ASSOCIATE

	2018	2017
	HK$'000	HK$'000
Interest in associate:		
Share of net assets other than goodwill	3,397	–
Goodwill	52,771	–
	56,168	–
Loan to associate:		
Advance to associate	54,600	–
Expected credit loss recognised during the year	(1,000)	–
	53,600	–

Details of the Group's associate as at 31 December 2018 are as follows:

Name	Place of incorporation, operation and principal activity	Percentage of ownership interests/voting rights/profit share
The Quarto Group, Inc. (the "Associate")	Incorporation in the State of Delaware, United States. Publishing in United States of America and United Kingdom	20.13%

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

(a) As at 31 December 2017, investment in The Quarto Group, Inc. was classified as an available-for-sale financial asset (Note 17) in light of insignificant influence over this company by the Group.

(b) During the year, upon the initial adoption of HKFRS 9, this balance is classified as a FVOCI and the related reserve balance of HK$5,100,000 was reclassified from available-for-sale financial assets reserve to FVOCI reserve on 1 January 2018. Details are set out in Note 3.1(A)(i).

(c) For the period from 1 January 2018 to 17 May 2018, the Group purchased additional 3.2% equity interests in the Associate, through market trading, with a consideration of HK$11,947,000 and equity interest held by the Group increased to 19.15%. On 17 May 2018, 2 directors of the Company were appointed as the directors of the Associate and since then, the Group has significant influence over the Associate. The balance is accounted for as an interest in associate and the related balance of FVOCI reserve was released to retained earnings accordingly on that day.

Movements of this investment during this period are as follows:

	HK$'000
Fair value as at 1 January 2018	47,835
Additions	11,947
Fair value loss	(12,551)
Exchange differences	42
Fair value as at 17 May 2018	47,273

(d) In November 2018, the Group further acquired 0.98% equity interests in the Associate with a consideration of HK$1,434,000. As at 31 December 2018, the Group held 20.13% equity interests in the Associate and the quoted market price for this investment is HK$30,146,000.

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

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

	HK$'000
As at 31 December 2018	
Current assets	719,854
Non-current assets	503,580
Current liabilities	(577,855)
Non-current liabilities	(628,703)
Net assets	16,876
Group's share of the net assets of the associate	3,397
Period from 17 May 2018 to 31 December 2018	
Revenue	861,544
Profit for the period	58,579
Other comprehensive income	18,893
Total comprehensive income	77,472
Dividends received from associate	–
Share of profit of associate	11,266

(f) In November 2018, the Group subscribed for the loan note from the Associate with a principal amount of US$7 million (equivalent to HK$54.6 million) which carries interest rate of 3.5% per annum. The loan note is unsecured and repayable on 31 August 2020.

The Group measures the loss allowance for this loan at an amount equal to 12-month ECL. ECL on this balance is estimated with reference to risk or probability that a credit loss occurs and forward looking information with reference to general macroeconomic conditions that may affect the ability of the associate to settle the loan. Accordingly, an expected credit loss of HK$1,000,000 was recognised as an expense during the year.

19. OTHER NON-CURRENT ASSETS

The balance represented the lease prepayments related to (1) an operational facility building in Singapore for 10 years, starting from 2013 and (2) office equipment for 4 years, starting from 2015.

Movements of other non-current assets are as follows:

	2018	2017
	HK$'000	HK$'000
Balance at the beginning of the year	5,640	8,299
Amortisation	(1,960)	(3,296)
Exchange differences	(13)	637
Balance at the end of the year	3,667	5,640
Represented by:		
Non-current assets	2,804	3,680
Current assets	863	1,960
	3,667	5,640

20. INVENTORIES

	2018	2017
	HK$'000	HK$'000
Raw materials	143,892	108,331
Work-in-progress	44,296	32,870
Finished goods	4,142	4,653
Less: Provision for inventories obsolescence	(12,512)	(14,413)
	179,818	131,441

During the year, the Group made a write back of provision for inventories of HK$1,108,000 (2017: HK$3,236,000). These amounts are included in "direct operating costs" in profit or loss.

21. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	2018	2017
	HK$'000	HK$'000
Trade receivables	455,296	445,634
Less: Provision for impairment of trade receivables	(7,638)	(2,930)
Trade receivables – net	447,658	442,704
Other receivables and deposits (Note (i) below)	86,298	32,683
	533,956	475,387

Note:

(i) The amount included deposit paid to suppliers of HK$42,678,000 (2017: Nil).

Movements in provision for impairment loss on trade receivables are as follows:

	2018	2017
	HK$'000	HK$'000
Balance at the beginning of the year	2,930	11,548
Amount written off during the year	(40)	(1,279)
Impairment losses recognised during the year (Note 9)	5,064	2,279
Impairment losses recovered during the year (Note 7)	(259)	(9,355)
Exchange losses	(57)	(263)
Balance at the end of the year	7,638	2,930

The Group recognised provision for impairment of trade receivables based on the accounting policy in Notes 2.9 and 2.10.

21. TRADE AND OTHER RECEIVABLES AND DEPOSITS (Continued)

Ageing analysis of trade receivables as at 31 December 2018, based on the invoice date, is as follows:

	2018	2017
	HK$'000	HK$'000
0 – 30 days	136,165	121,781
31 – 60 days	96,002	82,935
61 – 90 days	73,762	88,371
91 – 120 days	63,344	62,054
121 – 150 days	28,678	52,832
Over 150 days	57,345	37,661
Total trade receivables	455,296	445,634

In general, the Group allows a credit period from 30 to 150 days (2017: 30 to 150 days) to its customers.

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

As mentioned in Note 2.9(ii), the Group applied the simplified approach to provide the expected credit losses prescribed by HKFRS 9. A provision of HK5,064,000 (2017: HK$2,279,000) was made against the gross amounts of trade receivables during the year. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 41.

As at 31 December 2018 and 2017, the Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables.

As at 31 December 2018, trade receivables of HK$47,446,000 were due from Associate Group.

22. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

This relates to the forward foreign exchange contracts which are considered by management as part of economic hedging arrangements but have not been formally designated as hedges in accordance with HKAS 39. These foreign exchange contracts were stated at fair value as described in Note 42.

23. PLEDGED DEPOSIT/CASH AND BANK BALANCES

As at 31 December 2018, the Group had a pledged deposit of HK$5,808,000 (2017: Nil). The pledged deposit is pledged as a security for the Group's banking facilities.

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

As at 31 December 2018, included in cash and bank balances of the Group was HK$18,554,000 (2017: HK$13,217,000) of bank balances denominated in Renminbi ("RMB") placed with the banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

24. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	HK$'000
Trade payables	112,206	112,556
Other payables and accruals	122,292	143,136
	234,498	255,692

As at 31 December 2018, ageing analysis of trade payables based on invoice date is as follows:

	2018	2017
	HK$'000	HK$'000
0 – 30 days	64,252	58,714
31 – 60 days	27,550	35,244
61 – 90 days	18,789	15,871
91 – 120 days	1,172	1,028
Over 120 days	443	1,699
	112,206	112,556

24. TRADE AND OTHER PAYABLES (Continued)

Credit terms granted by the suppliers are generally 0 – 90 days (2017: 0 – 90 days). All amounts are short term and hence the carrying values of trade and other payables are considered to be a reasonable approximation to their fair values.

Breakdown of other payables and accruals:

	2018	2017
	HK$'000	HK$'000
Staff costs and commission payables	20,493	28,187
Volume rebate payables	34,713	37,571
Severance payment provision	31,220	35,389
Contract liabilities (Note)	11,679	–
Receipt in advances	–	9,256
Accrued charges	7,732	13,990
Others	16,455	18,743
	122,292	143,136

Note:

Movements in contract liabilities

	2018
	HK$'000
At 1 January, upon adoption of HKFRS 15	9,256
Amount recognised as revenue during the year	(8,803)
Amount received in advance from customers during the year	11,226
At 31 December	11,679

The impact of the adoption of HKFRS 15 on contract liabilities is set out in Note 3.1(B).

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

25. BANK BORROWINGS

	2018	2017
	HK$'000	HK$'000
Current portion		
– Bank loans due for repayment within one year	71,265	28,400
– Bank loans due for repayment after one year which contain a repayment on demand clause	214,775	40,965
Total bank borrowings	286,040	69,365

Assuming that the banks do not request 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:

	2018	2017
	HK$'000	HK$'000
Within one year	71,265	28,400
In the second year	66,850	23,465
In the third to fifth year	147,925	17,500
Wholly repayable within five years	286,040	69,365

All bank borrowings as at 31 December 2018 and 2017 are secured by the corporate guarantees by the Company and with floating interest rates.

Effective interest rate of bank borrowings ranged between 2.67% and 4.56% (2017: between 2.24% and 3.44%) per annum for the year.

26. FINANCE LEASE LIABILITIES

	2018	2017
	HK$'000	HK$'000
Total minimum lease payments:		
Due within one year	738	424
Due in the second to fifth years	2,117	1,321
	2,855	1,745
Future finance charges on finance leases	(315)	(212)
Present value of finance lease liabilities	2,540	1,533
Present value of minimum lease payments:		
Due within one year	605	337
Due in the second to fifth years	1,935	1,196
	2,540	1,533
Less: Portion due within one year included under current liabilities	(605)	(337)
Non-current portion included under non-current liabilities	1,935	1,196

The Group entered into finance lease for various items of machineries. The lease runs for an initial period of five years (2017: five years) and does not have options to renew or any contingent rental provisions.

Finance lease liabilities are effectively secured by the underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

27. DEFERRED TAX ASSETS/LIABILITIES

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

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

	Accelerated tax depreciation		Impairment of trade receivables		Write-down of inventories		Provisions and accruals		PRC dividend withholding tax		Customers relationship		Capital raising cost		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January	8,732	8,838	1,118	1,473	3,663	4,228	19,213	18,995	(3,200)	(2,950)	(1,201)	–	–	–	28,325	30,584
Credited/(Debited) to profit or loss for the current year (Note 12)	(942)	(491)	(881)	(397)	(1,009)	(840)	(3,170)	(1,231)	1,300	(250)	533	400	6,733	–	2,564	(2,809)
Exchange differences	(368)	385	(23)	42	(109)	275	(1,001)	1,449	–	–	–	–	(827)	–	(2,328)	2,151
Acquisition of a subsidiary (Note 37(a))	–	–	–	–	–	–	–	–	–	–	–	(1,601)	–	–	–	(1,601)
At 31 December	7,422	8,732	214	1,118	2,545	3,663	15,042	19,213	(1,900)	(3,200)	(668)	(1,201)	5,906	–	28,561	28,325

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

	2018	2017
	HK$'000	HK$'000
Deferred tax assets	34,332	36,190
Deferred tax liabilities	(5,771)	(7,865)
	28,561	28,325

27. DEFERRED TAX ASSETS/LIABILITIES (Continued)

Pursuant to the PRC Corporate Income Tax Law, 10% withholding tax is levied on dividends declared to foreign investment enterprises established in the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The applicable rate to the Group is 5%. The Group is liable to withholding taxes on dividends distributed by the subsidiary established in the PRC in respect of earnings generated from 1 January 2008. As at 31 December 2018 and 2017, deferred tax liabilities HK$1,900,000 and HK$3,200,000 have been recognised in respect of the tax that would be payable on the distribution of the retained profits of the Group's subsidiary established in the PRC.

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

	2018	2017
	HK$'000	HK$'000
Tax effect of unutilised tax losses	4,880	4,601

Deferred tax asset in respect of tax losses has not been recognised in the financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. All tax losses had no expiry dates under the current tax legislation.

28. PROVISIONS

	2018	2017
	HK$'000	HK$'000
Current portion:		
Employee benefit liabilities for annual leave and time in lieu	8,937	9,657
Employee benefit liabilities for long service leave	11,810	12,255
Leasehold dilapidations	170	–
Total current portion	20,917	21,912
Non-current portion:		
Employee benefit liabilities for long service leave	1,548	1,469
Leasehold dilapidations	2,211	10,172
Total non-current portion	3,759	11,641
	24,676	33,553

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

Leasehold dilapidations relate to the estimated cost of reinstalling the leasehold properties to its original state at the end of the lease in accordance with the lease terms. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease. During the year, the Group has reversed provision for leasehold dilapidations of HK$7,294,000 due to renewal of a lease arrangement and updated assessment on the estimated cost of leasehold dilapidations (Note 7).

29. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	1,000,000,000	10,000
Issued and fully paid:		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	770,000,000	7,700

30. SHARE-BASED EMPLOYEE COMPENSATION

Share option scheme of the Company

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

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

The share-based employee compensation is to be settled by the issue of the ordinary shares of the Company. The Group has no legal or constructive obligation to repurchase or settle the options other than in the ordinary shares of the Company. During the year, there was no share option issued under the Share Option Scheme (2017: Nil).

At 31 December 2018, the Company had 70,000,000 share options (2017: 70,000,000 share options) available for issue under the Share Option Scheme, which represented approximately 9.1% (2017: 9.1%) of the Company's shares in issue at that date.

30. SHARE-BASED EMPLOYEE COMPENSATION (Continued)

Share award scheme of the Company

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

During the year ended 31 December 2018 and 2017, no share award was granted. At 31 December 2018 and 2017, the Company had no awarded shares outstanding under the Share Award Scheme.

31. RESERVES

Group

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 42 to 43. Nature and purpose of the reserves is as follows:

(a) *Share premium*

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

(b) *Exchange reserve*

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

(c) *Merger reserve*

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

31. RESERVES (Continued)

Group (Continued)

(d) *Contributed surplus*

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

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

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

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

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

(e) *Other reserve*

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

(f) *Statutory reserve*

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

31. RESERVES (Continued)

Company

Movements of the Company's reserves are as follows:

	Share premium	Contributed surplus	Proposed final and special dividend	Share award scheme reserve	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1 January 2017	173,078	310,125	46,200	(5)	1,601	530,999
Profit for the year	–	–	–	–	76,969	76,969
2016 final dividend paid	–	–	(34,650)	–	–	(34,650)
2016 special dividend paid	–	–	(11,550)	–	–	(11,550)
2017 interim dividend paid	–	–	–	–	(23,100)	(23,100)
2017 proposed final dividend	–	–	50,050	–	(50,050)	–
Balance as at 31 December 2017 and 1 January 2018	173,078	310,125	50,050	(5)	5,420	538,668
Profit for the year	–	–	–	–	77,041	77,041
2017 final dividend paid	–	–	(50,050)	–	–	(50,050)
2018 interim dividend paid	–	–	–	–	(23,100)	(23,100)
2018 proposed final dividend	–	–	53,900	–	(53,900)	–
Balance as at 31 December 2018	173,078	310,125	53,900	(5)	5,461	542,559

32. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2018	2017
		HK$'000	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries		314,876	314,876
Current assets			
Other receivables		464	689
Amounts due from subsidiaries		234,224	230,299
Tax recoverable		139	94
Cash and bank balances		960	694
		235,787	231,776
Current liabilities			
Other payables		404	284
		404	284
Net current assets		235,383	231,492
Net assets		550,259	546,368
EQUITY			
Share capital	29	7,700	7,700
Reserves	31	542,559	538,668
Total equity		550,259	546,368

On behalf of the Board

Yeung Ka Sing
Director

Lau Chuk Kin
Director

33. OPERATING LEASE COMMITMENTS

As lessee

As at 31 December 2018, total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	2018	2017
	HK$'000	HK$'000
Within one year	33,058	33,008
In the second to fifth years inclusive	36,452	73,829
After five years	–	1,293
	69,510	108,130

The Group leases a number of properties and production facilities under operating leases. The leases run for an initial period ranged from two to ten years (2017: two to ten years), with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

As lessor

As at 31 December 2018, total future minimum lease receivables of the Group under non-cancellable operating leases are as follows:

	2018	2017
	HK$'000	HK$'000
Within one year	3,688	–
In the second to fifth years inclusive	4,877	–
	8,565	–

34. CAPITAL COMMITMENTS

	2018	2017
	HK$'000	HK$'000
Commitments for acquisition of property, plant and equipment	9,278	45,576

35. DEREGISTRATION/DISPOSAL OF SUBSIDIARIES

2018

Upon the deregistration of OPUS Group NZ Holdings Limited, a subsidiary of the Group, which had no business activities conducted and did not have any assets and liabilities at the time of deregistration, the corresponding exchange reserve in relation to this subsidiary of HK$28,311,000 was released and recognised in profit or loss for the year.

2017

In January 2017, the Group completed the disposal of its 61.88% interest in Ligare Limited at cash consideration of approximately HK$5. This disposal led to a loss of approximately HK$732,000. Ligare Limited was engaged in production and distribution of published content and its net assets as at the date of disposal were as follows:

	HK$'000
Property, plant and equipment (Note 15)	176
Inventories	171
Cash and cash equivalents	137
Other payables	(309)
	175
Release of exchange reserve	557
	732
Loss on disposal of subsidiaries in 2017	732
Total consideration satisfied by cash	–
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	(137)

36. NON-CONTROLLING INTERESTS

(a) Material non-controlling interests

As at 31 December 2018, the Group's material non-controlling interests included (1) OPUS, a 62.05% (2017: 75.61%) owned subsidiary of the Company, and its subsidiaries (the "OPUS Group") and (2) Regent, a 75% (2017: 75%) owned subsidiary of the Company. Summarised financial information in relation to non-controlling interests of the OPUS Group and Regent, before intra-group eliminations, is presented below:

	OPUS Group		Regent	
	2018	2017	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 December/From date of acquisition to 31 December				
Revenue	458,329	464,027	127,904	96,306
Profit for the year/period	43,579	33,557	11,550	9,095
Total comprehensive income	14,343	48,103	11,550	9,095
Profit allocated to non-controlling interests	11,961	9,506	2,888	2,274
Dividends paid to non-controlling interests	21,427	3,195	4,500	1,750
For the year ended 31 December/From date of acquisition to 31 December				
Cash generated from operating activities	2,437	47,790	16,846	13,594
Cash (used in)/generated from investing activities	(32,340)	(6,336)	(790)	869
Cash generated from/(used in) financing activities	50,501	8,694	(18,000)	(7,000)
Net cash inflows/(outflows)	20,598	50,148	(1,944)	7,463
At 31 December				
Current assets	284,526	258,819	60,727	60,282
Non-current assets	72,974	56,776	4,828	7,394
Current liabilities	(59,934)	(84,285)	(33,893)	(28,627)
Non-current liabilities	(8,048)	(15,371)	(667)	(1,601)
Net assets	289,518	215,939	30,995	37,448
Accumulated non-controlling interests	109,881	52,672	7,749	9,361

36. NON-CONTROLLING INTERESTS (Continued)

(b) Reorganisation of Left Field Printing Group Limited ("Left Field") and OPUS Group Limited ("OPUS")

(i) *Dividend reinvestment scheme of OPUS*

On 14 June 2018, OPUS, a subsidiary of the Group which was listed in Australia Stock Exchange, declared the special dividend of AUD0.13 per share of OPUS and adopted a dividend reinvestment scheme, where each OPUS shareholder (including the Group) could elect to receive additional new OPUS shares in lieu of cash for all or part of the special dividend that they were entitled to receive. On 22 August 2018, 28,614,371 ordinary shares of OPUS were issued to shareholders under the dividend reinvestment scheme and equity interests in OPUS held by the Group was increased by 2.65% from 75.61% to 78.26% on that date. As the increase in equity interests do not affect the Group's controls over OPUS, the difference between the above 2.65% of net assets of the OPUS Group and capital contribution made by the shareholders of OPUS, excluding the Group, elected to receive shares was accounted for in other reserve, as follows:

	2018
	HK$'000
Capital contribution from non-controlling shareholders of OPUS	7,900
2.65% of net assets of the OPUS Group	(10,896)
Amount accounted for in other reserve	(2,996)

(ii) *Share offer by Left Field*

On 14 June 2018, OPUS entered into a scheme implementation agreement under which every 1 share held by the OPUS shareholders could exchange 3 shares of Left Field. Upon the completion of these share exchange scheme in September 2018, the Group held 78.26% equity interests in Left Field.

On 8 October 2018, the shares of Left Field were successfully listed on the Hong Kong Stock Exchange. As a result of public issue of 105,000,000 shares by Left Field (the "Public Issue"), the Group's equity interests in Left Field was diluted from 78.26% to 62.05%. As the decrease in equity interests do not affect the Group's controls over Left Field, the difference between the diluted effect of shares of net assets of Left Field and its subsidiaries (the "Left Field Group") as a result of the Public Issue and the net proceeds received as a result of the Public Issue was accounted for in other reserve, as follows:

36. NON-CONTROLLING INTERESTS (Continued)

(b) Reorganisation of Left Field Printing Group Limited ("Left Field") and OPUS Group Limited ("OPUS")(Continued)

(ii) Share offer by Left Field (Continued)

	2018
	HK$'000
Net proceeds received as a result of the Public Issue	94,258
The diluted effect of shares of net assets of Left Field Group as a result of the Public Issue	(66,196)
Amount accounted for in other reserve	28,062

(c) Share buyback in 2017

In 2017, OPUS implemented several buybacks of its shares and these shares bought back were cancelled subsequently. As a result, the equity interests in OPUS held by the Group was increased from 64.66% to 75.61% (incorporated the impact of the exercise of share options in OPUS as detailed in note (d) below) and the Group effectively acquired additional interests in OPUS from non-controlling shareholders. The difference between the proportionate share of the carrying amount of net assets and the consideration paid for the additional interests have been debited to other reserve.

The transactions had been accounted for as equity transactions with the non-controlling interests (excluding the effect of exercise of share options in OPUS as detailed in note (d) below) as follows:

	2017
	HK$'000
Consideration paid for additional ownership interest	19,291
Net assets attributable to additional ownership interest	(14,515)
Decrease in equity attributable to owners of the Company (included in other reserve)	4,776

36. NON-CONTROLLING INTERESTS (Continued)

(d) Exercise of share options in OPUS in 2017

In May 2017, Bookbuilders BVI Limited, an indirect wholly owned subsidiary of the Company, exercised the share options granted by OPUS on 3 November 2014 to acquire 20,000,000 ordinary shares in OPUS at AU$0.35 per share. As a result of the transaction, the equity interests in OPUS held by the Group was increased by 5.85% from 68.82% to 74.67%. The increase in proportionate share of the carrying amount of net assets of HK$1,489,000 by the Group was debited to other reserve.

	HK$'000
Consideration paid for additional 5.85% ownership interest	39,807
Net assets attributable to additional 5.85% ownership interest	(38,318)
Decrease in equity attributable to owners of the Company (included in other reserve)	1,489

37. BUSINESS COMBINATION AND GRANTING OF OPTIONS

(a) Business combination

On 23 March 2017, Magic Omen Limited ("Magic Omen"), an indirect wholly-owned subsidiary of the Company, entered into the share transfer agreement with independent third party to acquire 75% of the entire issued share capital of Regent Publishing Services Limited ("Regent") at a consideration of HK$54,253,000 which comprised payments of US$4,500,000 and HK$19,500,000. Regent is engaged in provision of services for book, magazine and non-book publishers. This acquisition was completed on 31 March 2017 and was accounted for using acquisition method.

Details of net assets acquired were as follows:

	HK$'000
Purchase consideration – cash paid	54,253
Fair value of net assets acquired (see below)	(26,512)
Goodwill (Note 16)	27,741
Purchase consideration settled in cash	(54,253)
Cash and cash equivalents acquired	26,002
Cash outflow on acquisition of subsidiaries	(28,251)

37. BUSINESS COMBINATION AND GRANTING OF OPTIONS (Continued)

(a) Business combination (Continued)

Assets and liabilities arising from this acquisition were as follows:

	HK$'000
Property, plant and equipment	344
Intangible assets – customer relationships	9,700
Other receivables	904
Cash and bank balances	26,002
Deferred tax liabilities	(1,601)
Net assets	35,349
Non-controlling interests (25%)	(8,837)
Net assets acquired	26,512

The Group had elected to measure non-controlling interests in this acquisition at proportionate share of the acquiree's identifiable net assets.

Since the acquisition date, Regent contributed HK$96,306,000 and HK$9,095,000 to the Group's revenue and profit. If this acquisition occurred on 1 January 2017, the Group's revenue and profit after income tax would have been HK$1,603,151,000 and HK$158,650,000 respectively for the year ended 31 December 2017. This pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future performance.

On the same date of the share transfer agreement, Magic Omen entered into an option agreement (the "Option Agreement") with Yau Wa Holdings Limited ("Yau Wa"), the 25% non-controlling shareholder of Regent, and Mr. Tai Tin Yau, the managing director of Regent. Pursuant to the Option Agreement and conditional upon the completion of the acquisition. Yau Wa was granted a put option (the "Put Option") and call options (the "Call Options") to sell and purchase the shares in Regent. The exercise prices of the Put Option and Call Options were based on the net assets value and net profit after tax of Regent at certain time at the formula as set in the Option Agreement. Details of the Option Agreement were set out in the Company's announcement dated 24 March 2017.

37. BUSINESS COMBINATION AND GRANTING OF OPTIONS (Continued)

(b) Put Option

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

	2018	2017
	HK$'000	HK$'000
As 1 January or initial recognition	14,198	13,906
Imputed interest (Note 8)	390	292
At 31 December	14,588	14,198

(c) Call Options

In 2017, the fair value of the Call Options of HK$407,000 was recognised as employee compensation expense at the date of grant with the corresponding credit to employee compensation reserve in equity.

During the year, the Group, Yau Wa and Mr. Tai mutually agreed to cancel the Call Options with no consideration and obligation will be due, payable or owing with regard to the cancellation of the Call Options. Accordingly, employee compensation reserve of HK$407,000 was transferred to retained earnings upon cancellation of the Call Options during the year.

38. RELATED PARTY TRANSACTIONS AND BALANCES

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

The Group derived printing income of HK$14,525,000 from The Associate Group (Note 18). As at 31 December 2018, trade receivables of HK$47,446,000 were due from the Associate Group. Details of interests in associate and loan to associate (with impairment assessment under the ECL) were set out in Note 18. During the year, the Group earned interest income of HK$323,000 from the Associate as well.

38. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Compensation of key management personnel

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

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of company	Date of incorporation/ establishment	Place/Country of incorporation/ establishment and kind of legal entity	Class of shares	Issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company ^	Principal activities and place of operations
1010 Group Limited	10 January 2005	Hong Kong, limited liability company	Ordinary	HK$177,000,000	100%	Investment holding, Hong Kong
1010 Printing International Limited 匯星印刷國際有限公司	10 January 2005	Hong Kong, limited liability company	Ordinary	HK$1	100%	Printing, Hong Kong
1010 Printing Asia Limited	3 April 2007	Hong Kong, limited liability company	Ordinary	HK$1	100%	Printing, Hong Kong
1010 Printing (UK) Limited	2 January 2007	United Kingdom, limited liability company	Ordinary	British Pound 1,000	100%	Printing services, United Kingdom
Anson Worldwide Limited	8 November 2002	British Virgin Islands ("BVI"), limited liability company	Ordinary	United States Dollars ("US$")1	100%	Investment holding, Hong Kong
1010 Printing (Australia) Pty Limited	10 October 2008	Australia, limited liability company	Ordinary	AUD$2	100%	Provision of printing agency, Australia
1010 Printing Limited 匯星印刷有限公司	5 February 2010	Hong Kong, limited liability company	Ordinary	HK$1,000,000	100%	Printing, Hong Kong
Naturbest Investments Limited	15 August 2006	BVI, limited liability company	Ordinary	US$1	100%	Investment holding, Hong Kong
O.G. Printing Productions Limited 海濤製作有限公司	11 August 1989	Hong Kong, limited liability company	Ordinary	HK$500,000	100%	Provision of graphic design, Hong Kong
Oceanic Graphic International Inc.	12 August 2011	USA, limited liability company	Ordinary	US$100,000	100%	Printing, USA

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Date of incorporation/ establishment	Place/Country of incorporation/ establishment and kind of legal entity	Class of shares	Issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company ^	Principal activities and place of operations
惠州市滙星印刷有限公司	28 January 2011	PRC, sino-foreign equity enterprise	N/A	RMB150,000,000 (registered capital)	100%	Production and distribution of books and publications, PRC
Investor Vantage Limited	12 November 2012	BVI, limited liability company	Ordinary	US$1	100%	Investment holding, Hong Kong
Asia Pacific Offset Limited	15 December 1978	Hong Kong, limited liability company	Ordinary	HK$3,273,369	100%	Provision of printing services, Hong Kong
OPUS Group Limited	7 June 1983	Australia, limited liability company	Ordinary	AUD$26,234,000 (2017: AUD$14,491,000)	62.05% (2017: 75.61%) Note 36(b)	Investment holding
CanPrint Communications Pty Limited	4 September 1997	Australia, limited liability company	Ordinary	AUD$17,333	62.05% (2017: 75.61% Note 36(b)	Production and distribution of published content
Ligare Pty Limited	17 September 1979	Australia, limited liability company	Ordinary	AUD$4	62.05% (2017: 75.61%) Note 36(b)	Production and distribution of published content
McPherson's Printing Pty Limited	1 November 1971	Australia, limited liability company	Ordinary	AUD$10,000	62.05% (2017: 75.61%) Note 36(b)	Production and distribution of published content
C.O.S. Printers Pte Limited	19 July 1980	Singapore, limited liability company	Ordinary	Singapore Dollars 6,000,000	100%	Production and distribution of published content
Asia Pacific Offset Group Limited	2 July 2008	Hong Kong, limited liability company	Ordinary	HK$1,000	100%	Provision of printing services, Hong Kong
Bookbuilders BVI Limited	25 May 1993	BVI, limited liability company	Ordinary	US$10,000	100%	Investment holding, Hong Kong

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Date of incorporation/ establishment	Place/Country of incorporation/ establishment and kind of legal entity	Class of shares	Issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company ^	Principal activities and place of operations
Regent Publishing Services Limited 麗晶出版社有限公司	23 October 1985	Hong Kong, limited liability company	Ordinary	HK$10,000	75%	Provision of printing services, Hong Kong
Left Field Printing Group Limited 澳獅環球集團有限公司	18 April 2018	Bermuda, limited liability company	Ordinary	HK$5,069,000	62.05% (2017: Nil)	Investment holding, Hong Kong

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

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

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

40. NOTES SUPPORTING STATEMENT OF CASH FLOWS

During the year, the Group entered into certain finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$1,444,000 (2017: HK$1,380,000).

During the year, there are dividends paid to non-controlling interests of HK$25,927,000 while certain non-controlling interests joined the dividend reinvestment plan of OPUS Group Limited (Note 36(b)(i)) and invested HK$7,900,000 into OPUS Group Limited. Accordingly, the cash payment for dividend paid to non-controlling interests amounted to HK$18,027,000.

40. NOTES SUPPORTING STATEMENT OF CASH FLOWS (Continued)

Reconciliation of liabilities arising from financial activities:

	Bank borrowings (Note 25)	Finance lease liabilities (Note 26)
	HK$'000	HK$'000
At 1 January 2018	69,365	1,533
Changes from cash flows:		
New bank borrowings	273,640	–
Repayment of bank borrowings	(55,375)	–
Interest paid	(3,488)	–
New finance leases	–	1,444
Capital element of finance lease liabilities paid	–	(309)
Interest element of finance lease liabilities paid	–	(110)
Total changes from financing cash flows	214,777	1,025
Other changes:		
Exchange difference	(1,590)	(128)
Interest expenses	3,488	110
At 31 December 2018	286,040	2,540

41. FINANCIAL RISK MANAGEMENT

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

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

41. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk

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

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

The directors consider the Group does not have a significant concentration of credit risk. The top 5 customers accounted for approximately 22% (2017: 25%) of total revenue during the year ended 31 December 2018. In this regard, the Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

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

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits.

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

41. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

As at 31 December 2018, the Group recognised lifetime ECL for its trade receivables based on individually significant customer or the ageing of customers collectively that are not individually significant as follows:

	Weighted average lifetime ECL	Gross carrying amount	Loss allowance
	(%)	(HK$'000)	(HK$'000)
Current (not past due)	0.15	320,854	(475)
1-30 days past due	0.48	64,263	(307)
31-90 days past due	1.03	36,369	(376)
More than 90 days past due	14.73	32,051	(4,721)
Individual assessment	100	1,759	(1,759)
		455,296	(7,638)

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see Note 2.10). At 31 December 2017, trade receivables of HK$2,930,000 was determined to be impaired. Ageing analysis of trade receivables past due but not impaired was as follows:

	2017
	HK$'000
Neither past due nor impaired	320,156
1 – 30 days past due	67,018
31 – 90 days past due	52,500
More than 90 days past due but less than one year	3,030
	442,704

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

41. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Other trade receivables that were past due but not impaired related to a large number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered to be fully recoverable. The Group did not hold any collateral in respect of these balances.

(b) Currency risk

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

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

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

41. FINANCIAL RISK MANAGEMENT (Continued)

(b) Currency risk (Continued)

Foreign currencies denominated financial assets and liabilities are as follows:

2018

	US$'000	RMB'000	AUD'000	GBP'000	EUR'000
Trade and other receivables	44,828	28	3,687	193	623
Cash and bank balances	10,883	830	1,108	765	211
Trade and other payables	(3,961)	(313)	(190)	(5)	(3)
	51,750	545	4,605	953	831
Notional amounts of forward foreign exchange contracts	1,086	–	(3,000)	–	–
	52,836	545	1,605	953	831

2017

	US$'000	RMB'000	AUD'000	GBP'000	EUR'000
Trade and other receivables	37,558	24	4,234	513	301
Cash and bank balances	21,788	846	3,635	814	991
Trade and other payables	(3,253)	(467)	(160)	(3)	(14)
	56,093	403	7,709	1,324	1,278
Notional amounts of forward foreign exchange contracts	9,665	–	(6,000)	(500)	(4,000)
	65,758	403	1,709	824	(2,722)

41. FINANCIAL RISK MANAGEMENT (Continued)

(b) Currency risk (Continued)

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

	2018		2017	
	Increase/(Decrease) in foreign exchange rates	Effect on profit after tax and retained earnings	Increase/(Decrease) in foreign exchange rates	Effect on profit after tax and retained earnings
		HK$'000		HK$'000
RMB	4.2%	26	4.4%	21
	(4.2%)	(26)	(4.4%)	(21)
AUD	6.8%	600	5.2%	524
	(6.8%)	(600)	(5.2%)	(524)
GBP	4.5%	425	8.2%	701
	(4.5%)	(425)	(8.2%)	(701)
EUR	2.7%	200	14.4%	(3,587)
	(2.7%)	(200)	(14.4%)	3,587

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

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

41. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amounts with floating interest rates except for deposits held in banks, certain bank borrowings and finance lease contracts. Cash at bank earns interest at floating rates based on the daily bank deposits rates during the year. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense. Terms of repayment of bank borrowings are set out in Notes 25.

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

(d) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements, its compliance with lending covenants and its relationships with its bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term. The Group has net current assets of HK$677,251,000 (2017: HK$680,121,000) and net assets of HK$1,162,068,000 (2017: HK$1,048,822,000) as at 31 December 2018. In the opinion of the Directors, the Group's exposure to liquidity risk is limited.

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

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

41. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk (Continued)

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2018				
Non-derivative financial liabilities				
Trade and other payables	234,498	234,498	234,498	–
Financial liabilities arising from put option	14,588	15,464	–	15,464
Bank borrowings	286,040	286,040	286,040	
Finance lease liabilities	2,540	2,856	739	2,117
	537,666	538,858	521,277	17,581
As at 31 December 2017				
Non-derivative financial liabilities				
Trade and other payables	255,692	255,692	255,692	–
Financial liabilities arising from put option	14,198	15,464	–	15,464
Bank borrowings	69,365	69,365	69,365	–
Finance lease liabilities	1,533	1,745	424	1,321
	340,788	342,266	325,481	16,785

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

41. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk (Continued)

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000
Term loans subject to repayment on demand clause based on scheduled repayments:				
31 December 2018	286,040	310,656	80,563	230,093
31 December 2017	69,365	72,268	30,156	42,112

(e) Fair values

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

42. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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

	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Non-current assets				
Available-for-sale financial assets	–	–	47,835	47,835
Financial assets at amortised cost:				
Loan to an associate	53,600	53,600	–	–
Current assets				
Financial assets at fair value through profit or loss				
– Held for trading	673	673	–	–
Financial assets at amortised cost (2017: Loans and receivables)				
– Trade and other receivables and deposits	523,528	523,528	469,780	469,780
– Pledged deposit	5,808	5,808	–	–
– Cash and bank balances	508,321	508,321	424,217	424,217
	1,091,930	1,091,930	941,832	941,832
Financial liabilities				
Current liabilities				
Financial liabilities at fair value through profit or loss				
– Held for trading	–	–	3,810	3,810
Financial liabilities at amortised cost:				
– Trade and other payables	234,498	234,498	255,692	255,692
– Bank borrowings	286,040	286,040	69,365	69,365
– Finance lease liabilities	605	605	337	337
Non-current liabilities				
Financial liabilities at amortised cost:				
– Financial liabilities arising from put option	14,588	14,588	14,198	14,198
– Finance lease liabilities	1,935	1,935	1,196	1,196
	537,666	537,666	344,598	344,598

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

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and bank balances, pledged deposit and trade and other receivables and deposits, trade and other payables, bank borrowings and finance lease liabilities.

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

(b) Financial instruments measured at fair value

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

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

Information about level 2 fair value measurements

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

There were no changes in valuation techniques during the year.

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

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

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

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

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

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

	2018			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale financial assets				
Forward foreign exchange contracts	673	–	–	673
Net fair values	673	–	–	673

	2017			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale financial assets				
Equity securities listed in United Kingdom at fair value	47,835	–	–	47,835
Net fair values	47,835	–	–	47,835
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	–	3,810	–	3,810
Net fair values	–	3,810	–	3,810

There were no transfers between levels during the year.

43. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's objectives when managing capital are:

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

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

Management regards total equity as capital, for capital management purpose. The amount of capital as at 31 December 2018 amounted to approximately HK$1,162,068,000 (2017: HK$1,048,822,000), which management considers as satisfactory having considered the projected capital expenditures and the projected strategic investment opportunities.

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

FINANCIAL SUMMARY

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

FINANCIAL RESULTS

	Financial year ended 31 December				
	2014	2015	2016	2017	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue and turnover	1,316,216	1,754,640	1,615,831	1,582,725	1,665,369
Profit before income tax	177,287	202,715	212,000	198,520	214,216
Income tax expense	(27,177)	(13,800)	(41,479)	(39,072)	(29,972)
Profit for the year	150,110	188,915	170,521	159,448	184,244
Attributable to:					
Owners of the Company	146,446	163,241	146,146	147,668	169,395
Non-controlling interests	3,664	25,674	24,375	11,780	14,849
Profit for the year	150,110	188,915	170,521	159,448	184,244

	As at 31 December				
	2014	2015	2016	2017	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	1,245,520	1,305,014	1,305,357	1,434,838	1,739,446
Total liabilities	(452,625)	(430,163)	(359,618)	(386,016)	(577,378)
Total equity	792,895	874,851	945,739	1,048,822	1,162,068

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. Li Hoi, David
Mr. Guo Junsheng

Independent Non-Executive Directors

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

COMPANY SECRETARY

Ms. Tan Lai Ming *FCPA, FCCA*

COMPLIANCE OFFICER

Mr. Lau Chuk Kin

AUTHORISED REPRESENTATIVES

Ms. Lam Mei Lan
Ms. Tan Lai Ming

BERMUDA RESIDENT REPRESENTATIVE

Conyers Corporate Services
(Bermuda) Limited

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

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