LEFT FIELD

Left Field Printing Group Limited
Stock Code : 1540

ANNUAL REPORT 2023

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CHAIRMAN'S STATEMENT

Dear Fellow Shareholders,

This is the 2023 annual report published by our Hong Kong listed company, Left Field Printing Group Limited.

The Australian book industry, according to Nielsen Bookscan, for the full year of 2023 was worth AUD1.33 billion, a reduction of 5% compared to 2022 but still above 2021 by both value and volume. Adult fiction grew by 5% to represent 29% of the market while adult non-fiction (representing 42% of the market) declined by 5%. Children's books fell 4.4% compared in 2022.

For the Group, with 2023 the first full calendar year with Griffin Press a part of the group, the operational focus was to consolidate and strengthen our production capacity and value proposition for the read-for-pleasure market. We are pleased with the synergies achieved thus far as our businesses worked collaboratively to effectively manage production bottlenecks for a positive customer outcome.

Looking forward to 2024, we expect there will be some demand shifts and continuing upward cost pressures to continue for our businesses as a result of overseas conflicts in East Europe and the Red Sea, high domestic inflation and subdued domestic consumption from the cost of living pressures. Our management teams will proactively work to improve our production efficiency to meet the changing business environment and look to mitigate negative impacts so we continue to deliver a speed, quality and service value proposition as the leading and sustainable local print partner.

We continue to be thankful and appreciative of our dedicated staff, supportive customers and suppliers this year and look forward to contributing positively to local book manufacturing in Australia.

RICHARD FRANCIS CELARC
Chairman
Hong Kong, 27 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company with its subsidiaries being principally engaged in the provision of printing solutions and services in Australia.

In 2023, our businesses weathered a slowing domestic economy as cost of living pressures surged and continued upward pressure on costs with higher than expected domestic inflation. While we experienced a reprieve from supply chain disruptions of 2022, the growing conflict in Gaza presented new areas of concern for supply chain stability as the Red Sea shipping crisis unfold in the last couple of months of 2023.

The group's revenue increased by 10.4% to HK$558.0 million compared to the prior year. Direct operating costs increased by 8.0% to HK$444.4 million and earnings before tax increased by 166.0% to HK$47.1 million compared to prior year.

PROSPECTS

Looking forward, the management team is cautious about the Group's prospects in 2024 given the ongoing production efficiency gains our operations are expected to make while managing an uneven macroeconomic environment of persistent cost pressures, waning consumer demand and subdued economic growth. Our focus for all sites will be cost control, operational collaboration so we can respond dynamically to the operating environment to meet the needs of our customers.

FINANCIAL REVIEW

Revenue

Revenue in 2023 was approximately HK$558.0 million, representing an increase of approximately 10.4% from the previous year (2022: approximately HK$505.4 million). More revenue for the year ended 31 December 2023 was driven by a full year revenue generated by Griffin Press Printing Pty Ltd ("Griffin Press"), the book printing business acquired from Ovato Limited ("Ovato") in June 2022, but partly offset by the effect of weak domestic printing demand for books in the read-for-pleasure, quick turnaround time educational as well as Government sector as a result of complex economic environment in Australia and the easing of global logistic congestion.

Gross profit and gross profit margin

Our gross profit raised by approximately HK$19.8 million, or approximately 21.2%, from approximately HK$93.8 million in 2022 to approximately HK$113.6 million in 2023 and gross profit margin enhanced by approximately 1.8% in comparison of last year from approximately 18.6% to approximately 20.4%, which was back to 2021's level. The fluctuation of gross profit margin was mainly due to in accordance with various customers' contracted terms, the selling prices were not able to adjust immediately in the prior year in response to the increase in raw material costs and production costs. Besides, the synergies of production efficiency from book printing division which comprises McPherson's Printing Pty Ltd and Griffin Press was started to flow to the business with improvement of both delivery time and production costs.

Other income and gains or losses, net

Other income significantly decreased by approximately HK$8.8 million, or approximately 53.8% from approximately HK$16.3 million in 2022 to approximately HK$7.5 million in 2023. Such drops were mainly attributable to some one-off transactions in the prior year that included approximately HK$4.5 million debt forgiveness in relation to the acquisition of book printing business from Ovato and a gain on disposal of property, plant and equipment amounted approximately HK$1.8 million.

Selling and distribution costs

Selling and distribution costs have decreased by approximately HK$1.3 million, or approximately 3.5%, from approximately HK$34.4 million in 2022 to approximately HK$33.1 million in 2023. The reduction in selling and distribution expenses was as a net result of the full year relevant costs incurred by Griffin Press in 2023 and a drop in domestic production demand and volume.

Administrative expenses

Administrative expenses were relatively stable among two years. It increased approximately by HK$0.3 million from approximately HK$39.3 million in 2022 to HK$39.6 million in 2023, representing a year on year increase of approximately 0.8%. This was a net result of the full year administrative expenses incurred by Griffin Press but mostly offset by the non-recurring of professional costs incurred for various corporate projects in the prior year.

Reversal of/(provision for) impairment of trade receivables and other receivables

Provision of impairment of trade and other receivables in the prior year mainly represented the increased credit risk of the other receivables after Ovato's appointment of administrator in July 2022. These receivables have been derecognised in the current year as Ovato has already commenced its liquidation process in 2023.

Fair value loss on financial assets at fair value through profit or loss

Balance in the prior year represented the fair value loss of the convertible note subscribed with Ovato in 2022. This convertible note has been expired during the year and derecognised.

Finance costs

Finance costs increased by approximately HK$0.3 million or approximately 25.4% from approximately HK$1.1 million in 2022 to approximately HK$1.4 million in 2023. The increase was mainly attributable to the full year interest portion of Griffin Press's lease liabilities was recognised during the year.

Income tax expense

Income tax expense increased from approximately HK$6.5 million (effective income tax rate: approximately 36.6%) in 2022 to approximately HK$13.8 million (effective income tax rate: approximately 29.3%) in 2023. The increase was consistent with higher taxable income during the year. The effective tax rate in the current year was close to domestic tax rate of 30%.

Net profit

The Group reported a net profit of approximately HK$33.3 million in 2023 compared to approximately HK$11.2 million in the prior year, which represented an increase of approximately HK$22.1 million or approximately 197.0%. The improvement of profit after tax was mainly due to various one-off transactions recognised in the prior year, which included the provision for impairment of trade receivables and other receivables and fair value loss of the convertible note subscribed with Ovato, as well as a positive contribution from Griffin Press for its full year operation.

Liquidity and financial resources

As at 31 December 2023, the Group had net current assets of approximately HK$192.3 million (2022: approximately HK$173.4 million), among which, cash and bank balances were approximately HK$85.5 million (2022: approximately HK$48.3 million) which were denominated in Australian Dollars ("AUD"), US Dollars ("USD"), Great British Pound ("GBP") and HK$. The enhancement of cash and bank balances was mainly attributable to positive operating cashflow generated during the year.

The Group's current ratio was approximately 3.0 times as at 31 December 2023 (2022: approximately 2.8 times), which was calculated by the Group's current assets over current liabilities. The only interest bearing liabilities were lease liabilities of approximately HK$18.6 million as at 31 December 2023 (2022: approximately HK$24.1 million) which were denominated in AUD.

The Group's gearing ratio as at 31 December 2023 was approximately 6.5% (2022: approximately 9.5%), which is calculated on the basis of the Group's total interest-bearing debts over total equity. The improvement of the Group's current ratio was mainly due to positive operating result during the year. Save as the aforesaid, the Group maintained net cash position and healthy current and gearing ratios, reflecting its healthy financial position.

The Group adopts centralised financing and treasury policies in order to ensure that Group funding is utilised 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.

Working capital management

The Group's capital employed includes share capital, reserves and lease liabilities. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group acknowledges the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group is not subject to any externally imposed capital requirements.

The allocation of capital between its specific business segments' operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific business segment operations and activities is undertaken independently of those responsible for the operation.

Foreign currency management

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currencies. The currencies in which transactions primarily denominated are AUD, New Zealand Dollar, USD, European Union Euros, GBP and HK$.

Management evaluates the Group's foreign currency risk using cash flow forecasts with the objective of keeping its exposure to a minimum. The Group may in certain circumstances use forward exchange contracts to hedge its foreign currency risk. When used, the contracts would normally have maturities of less than one year at reporting date. The Group does not hold or issue financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Capital expenditure

During the year, the Group acquired property, plant and equipment at approximately HK$33.3 million (2022: approximately HK$21.9 million). The purchases during the year were financed by internal resources of the Group.

Material acquisitions and disposals

There were no material acquisitions and disposals of subsidiaries, associates and joint venture in the course during 2023. On 24 May 2022, the Group entered into a business acquisition agreement with Ovato to purchase Ovato book printing business at an initial consideration of AUD8,500,000 (equivalent to approximately HK$47,175,000), with a deferred consideration of AUD396,000 (equivalent to approximately HK$2,198,000). As all conditions precedent to the business acquisition agreement have been satisfied or waived in accordance with the terms and conditions therein, the acquisition was completed on 17 June 2022.

Capital commitment and contingent liabilities

As at 31 December 2023, the Group had capital commitment of approximately HK$0.8 million to acquire machineries (2022: approximately HK$11.9 million).

The Group did not have any significant contingent liabilities as at 31 December 2023 (2022: nil).

Employees and emolument policy

As at 31 December 2023, the Group had 329 full-time employees (2022: 325). The remuneration packages of the Group's employees are maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary, bonus and over-time payments system. Other employees' fringe and welfare benefits include retirement benefits, occupational injury insurance and other miscellaneous items.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

MR. RICHARD FRANCIS CELARC

Mr. Richard Francis Celarc, aged 67, was appointed as the chairman and an executive director of the Company on 28 May 2018. He is responsible for the overall strategic planning and management of the Group. Mr. Celarc joined the Group in 1979. Mr. Celarc is the chairman of the nomination committee of the Company. Mr. Celarc completed a Commerce and Accounting certificate course at Bankstown TAFE in Australia. He has more than 40 years of experience in the printing business in Australia and co-founded Ligare Pty Ltd ("Ligare"), an indirect wholly-owned subsidiary of the Company.

MR. LAU CHUK KIN

Mr. Lau Chuk Kin, aged 71, was appointed as a director on 23 April 2018 and re-designated as an executive director of the Company on 28 May 2018. Mr. Lau is responsible for the overall strategic planning and management of the Group. Mr. Lau is a member of the remuneration committee of the Company. 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 has over 30 years of experience in the printing business. Mr. Lau is an executive director of Lion Rock Group Limited ("Lion Rock"), a controlling shareholder of the Company whose issued shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 1127) and the Quarto Group Inc, as a subsidiary of Lion Rock, whose shares were listed on London Stock Exchange before it was delisted in January 2024.

MS. TANG TSZ YING

Ms. Tang Tsz Ying, aged 39, was appointed as a director of the Company on 23 April 2018 and re-designated as an executive director of the Company on 28 May 2018. Ms. Tang is responsible for overseeing the finance and company secretarial function of the Group. Ms. Tang joined the Group in 2016. She is the company secretary of the Company. Ms. Tang obtained a Bachelor of Business Administration in Accountancy degree 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. Before joining the Group, Ms. Tang worked for Ernst and Young, both in Hong Kong and Sydney, for over seven years.

NON-EXECUTIVE DIRECTOR

MR. PAUL ANTONY YOUNG

Mr. Paul Antony Young, aged 68, was appointed as a non-executive director of the Company on 28 May 2018. Mr. Young is responsible for providing capital markets knowledge and assisting in strategic planning of the Group. Mr. Young is a member of the audit committee of the Company. He obtained a Master of Arts degree in Economics from the University of Cambridge. He is a fellow of the Institute of Chartered Accountants in England and Wales ("ICAEW") and has a diploma of Corporate Finance from ICAEW. Mr. Young was the co-founder of Baron Partners Limited (which merged with Henslow Pty Ltd in May 2018) and is a senior advisor to Henslow Pty Ltd, both corporate advisory firms. He has extensive experience in the provision of corporate advice to a wide range of listed and unlisted companies including restructurings, capital raisings, initial public offerings and mergers and acquisitions. Mr. Young is a non-executive director of Byron Energy Limited (stock code: BYE) and the Australian Wealth Advisors Group Limited (stock code: WAG) which are companies listed on Australian Securities Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. HO TAI WAI DAVID

Mr. Ho Tai Wai David, aged 75, was appointed as an independent non-executive director of the Company on 8 October 2018. He is the chairman of the audit committee and a member of the remuneration committee and nomination committee of the Company. He is responsible for supervising and providing independent advice to the Board. Mr. Ho obtained a Master of Business Administration Degree from The Chinese University of Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants, The Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Ho has over 40 years of experience in finance and accounting and held management positions in various companies prior to his retirement in 2007. Mr. Ho is an independent non-executive director of Build King Holdings Limited (stock code: 240) and Lion Rock Group Limited, a substantial shareholder of the Company (stock code: 1127), both of which are companies listed on the Stock Exchange of Hong Kong.

MR. TSUI KING CHUNG DAVID

Mr. Tsui King Chung David, aged 77, was appointed as an independent non-executive director of the Company on 8 October 2018. He is the chairman of the remuneration committee and a member of the audit committee and nomination committee of the Company. He is responsible for supervising and providing independent advice to the Board. Mr. Tsui completed O level examination and A level examination of University of London/Hong Kong respectively. He started his career in information technology in 1970 and held a number of key positions in various banks in Hong Kong. He was the president and chief executive officer of Hong Leong Credit Berhad (now known as Hong Leong Financial Group Berhad) (stock code: 1082.kl), a company listed on the Kuala Lumpur Stock Exchange, before his retirement in 2006.

MR. LAI WING HONG JOSEPH

Mr. Lai Wing Hong Joseph, aged 63, was appointed as an independent non-executive director of the Company on 16 September 2020. He is a member of the audit committee, remuneration committee and nomination committee of the Company. He is responsible for supervising and providing independent advice to the Board. Mr. Lai is currently one of the partners of J. Chan & Lai Solicitors Firm practising in Hong Kong. He has over 30 years' experience as a practising solicitor. Mr. Lai obtained a Bachelor of Laws and a Post-Graduate Certificate in Laws from University of Hong Kong. He has been admitted as a Solicitor of the Supreme Court of Hong Kong since 1986, a Notary Public of Supreme Court of Hong Kong since 1996 and a China-Appointed Attesting Officer of Hong Kong since 2009.

SENIOR MANAGEMENT

MR. DAVID CHENG

Mr. David Cheng, aged 48, was appointed as an operations director of the Group in 2018. Mr. Cheng is responsible for supervising the procurement and logistics functions of the Group. Mr. Cheng obtained a Bachelor of Science degree from the University of Hong Kong, a Master of Science degree in Business Information Systems and a Master of Arts degree in Operations and Supply Chain Management from the City University of Hong Kong. Mr. Cheng was granted the qualification of project management professional by Project Management Institute from August 2010 to August 2016. Mr. Cheng has over 20 years of experience in procurement and supply chain operations in various commercial organisations.

MR. MARK DOUGLAS GOLDSMITH

Mr. Mark Douglas Goldsmith, aged 57, was appointed as the general manager of McPhersons Print Group ("MPG"), an indirect wholly-owned subsidiary of the Company since 7 November 2022. He is responsible for overseeing the day-to-day operations of MPG. Mr. Goldsmith completed his Higher School Certificate and started his career as a business cadet in a large commercial printing company. He has over 38 years' experience in the print industry, including management roles in estimating, scheduling, inventory and production management as well as production manager in a large commercial magazine publisher in UK.

MR. JOHN RITCHIE

Mr. John Ritchie, aged 53, was appointed as the general manager of Griffin Press Printing Pty Ltd ("Griffin Press"), an indirect wholly-owned subsidiary of the Company since 1 February 2024. He is responsible for overseeing the day-to-day operation of Griffin Press. Mr. Ritchie joined Griffin Press in 1992 and has involved in various managerial roles in Griffin Press prior to his recent promotion to the general manager role. He has over 30 years' experience in printing industry. He completed a Binding and Finishing trade at TAFE SA and Digital Printing trade through Print Training Australia.

MS. DEBORAH LOUISE SHIELDS

Ms. Deborah Louise Shields, aged 58, was appointed as the general manager of CanPrint Communications Pty Ltd. ("CanPrint"), an indirect wholly-owned subsidiary of the Company since 1 January 2020. She is responsible for overseeing the day-to-day operation of CanPrint. Ms. Shields joined CanPrint in 2014 and has been a sales manager between April 2016 and December 2019. She completed business services training and project management training provided by WISDOM Learning Pty Ltd and has over 20 years' experience in sales and customers services in various companies.

MR. MUKESH CHAND

Mr. Mukesh Chand, aged 60, was appointed as a site operation manager of Ligare in 2015. Mr. Chand is responsible for overseeing the day-to-day operation of Ligare. Mr. Chand joined the Group in 1987 and has over 30 years of experience in the printing industry. He studied at D.A.V. Boys' College in the Republic of Fiji and has obtained an advanced certificate in supervisory management and a certificate in accounting from the Fiji Institute of Technology. Mr. Chand has also obtained a Binding and Finishing trade certificate from TAFE NSW Ultimo.

MR. STEPHEN MICHAEL O'BRIEN

Mr. Stephen Michael O'Brien, aged 45, was appointed as the sales director of OPUS Book Printing Group Pty Ltd, an indirect wholly-owned subsidiary of the Company since 1 September 2022, following the acquisition of Griffin Press in June 2022. Mr. O'Brien joined Griffin Press in 2017 and now is responsible for overseeing the sales function of MPG and Griffin Press. Mr. O'Brien started as an apprenticeship in print and has over 29 years of experience in printing industry. He completed a City & Guilds 524 in Graphic Communications in West Herts College. Followed his relocation to Australia in 2008, Mr. O'Brien changed roles and begun his career in sales and client services. Over the last 15 years he has worked in various sales-based roles including Key Account Manager, Sales Manager and Head of Business Development at various multinational corporations.

MS. ROBYN ELIZABETH FINNIECOME

Ms. Robyn Elizabeth Finniecome, aged 60, was appointed as a business development manager of Ligare in 2015. Ms. Finniecome joined the Group in 2007 and is responsible for developing new business and overseeing sales function of mainly Ligare. She has over 25 years of experience in sales and marketing. Ms. Finniecome obtained a Bachelor of Commerce degree from the University of New South Wales. She completed the training program Essential Selling Skills II provided by the Australian Institute of Management NSW & ACT Limited. Before joining the Group, Ms. Finniecome worked as a sales and marketing manager at a booking-publishing company for 17 years.

DIRECTORS' REPORT

The Directors of the Company are pleased to present the annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2023.

GROUP REORGANISATION AND LISTING

The Company was incorporated in Bermuda on 18 April 2018 under the Bermuda Companies Act as an exempted limited liability company. Pursuant to the reorganisation in preparation for the listing of the Company's shares on the Hong Kong Stock Exchange, the Company became the holding company of the companies now comprising the Group on 8 October 2018. Details of the group reorganisation are set out in the section headed "History and corporate structure" of the Prospectus. The shares of the Company (the "Shares") were listed on the Main Board of the Hong Kong Stock Exchange on 8 October 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company while its subsidiaries are principally engaged in the provision of printing solutions and services in Australia.

BUSINESS REVIEW

A review of the Group's business during the year, 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 5 respectively of this annual report.

PRINCIPAL RISK AND UNCERTAINTIES

Customers' demand based on individual orders

Although the Group may, from time to time, enter into framework sale and purchase agreements with some of its customers, it normally generates sales on an order-by-order basis. Demand for the printing solutions and services is dependent upon factors such as the release of new book titles into the market in Australia, the popularity of certain read-for-pleasure books which may lead to subsequent re-prints, the demand from academics or professionals for certain reference books or materials and/or demand for the printing solutions and services may be dependent upon factors such as when the Parliament of Australia is sitting, introduction of new legislation, amendments to existing legislation and/or electoral events or policy matters which require documents, reports and materials to be printed or updated. The Group's sales are highly dependent on and may fluctuate subject to customers' demand for the printing solutions and services. If there is any adverse change to market conditions such as an economic slowdown or an increase in competition, the Group's business, financial condition and results of operations may be materially and adversely affected.

Fluctuations in raw materials prices

Paper is the principal raw material used in the Group's business which is mainly purchased from domestic paper trading companies as well as international paper manufacturers. Other raw materials include plates, ink and other printing consumables. The price of raw materials may be subject to price volatility and periodic shortages caused by various factors beyond the Group's control, which include, among other things, weather conditions, tree harvest conditions, policies of the respective local governments of the territories in which the forestries or paper mills operate, as well as market competition. Should there be any significant increases in the prices of raw materials, and the Group is unable to pass on such increased costs to the customers, the business and profitability may be materially and adversely affected. If the Group passes on the increased costs to the customers, the Group's pricing may become less competitive and may lead to a loss of orders/customers.

Digital influence

With the increased popularity and convenience in the consumption of content and media electronically, in particular, through personal electronic devices such as mobile phones, electronic readers and tablets together with greater awareness of environmental issues and protection, the changing nature in how information is consumed may impact the demand for printed products and in turn the demand for the Group's printing solutions and services.

Technological developments in the printing industry

Constant refinements to offset printing presses and related machinery as well as the introduction of new technologies are continuously improving the quality, productivity, safety, speed, reliability and energy efficiency within the printing industry. The ability to print faster and more cost-effectively offers printing services providers a competitive edge. Technological improvements and increases in the level of automation, not only in the printing process but also in the pre-press and post-press production stages, not only offers printing services providers cost savings on raw materials, time and labour, but also reduces human error while enhancing the quality of products. In the event that the Group is not able to upgrade its technologies to meet customers' demand, the business, results of operations and prospects of the Group may be adversely affected.

Cyber Security risk

Cyber-attacks increased rapidly across every industry. The management of cyber security and information risk is mandatory to prevent exploit to cyber criminals from new virus, malware and hacking tools spreading through the internet, email and social media network. The impact has caused the Group to use up more resources to implement measures and controls to protect our critical IT systems and data. Cyber-attack could result in the loss of income and asset from inability to operate, failure to complete customer orders or business deals, reduction in productivity, staff downtime and the cost of attempting to recover lost information, equipment or data.

General market downturn

The Group provides printing solutions and services to, among others, international and Australia-based book publishers and media and information providers who wish to print books for sales and distribution within Australia. During periods of economic uncertainty, consumer consumption is typically scaled back, with certain non-essential products, such as books, suffering from reduced demand. Such decrease in demand may in turn reduce the supply of printed products to the market by such publishers and media and information providers. When consumer sentiment is cautious, the Group's customers may respond accordingly and there is no assurance that they will continue to maintain their supply of printed books in normal volumes, resulting in a decrease in orders the Group receives from them. Such a general market downturn could result in not only a reduction in the demand for products and services of the Group, but also intensified competition. In such circumstances, the Group's business, financial condition and results of operations may be materially and adversely affected.

Financial risks

Details of financial risks are set out in Note 34 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 promoting environmentally-friendly policies and performance as a part of its overall corporate 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 has printing operations which are required to comply with a number of Australian pollution control and environmental regulations. The businesses concerned take all reasonable precautions to minimise the risk of environmental incidents, including the removal of solid and liquid waste by licensed contractors, arranging environmental compliance audits by qualified external organisations and ensuring that personnel receive appropriate training. There have been no material instances of non-compliance with environmental regulations during the year.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

The Company is incorporated in Bermuda with principal places of business in Hong Kong and Australia. The Group operates print production facilities in different states across Australia and complies with the relevant laws and regulations of Australia and in countries in which it is incorporated and has businesses or operations.

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 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 44 of this annual report.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to recommend the payment of a final dividend of HK$4 cents per share (the "Final Dividend") for the year ended 31 December 2023 (2022: final dividend: nil per share) to holders of ordinary shares whose names appear on the register of holders of ordinary shares of the Company as at the close of business on 23 May 2024. The register of shareholders will be closed on 23 May 2024, which no transfer of shares will be registered. To qualify for the Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, whose share registration public office is located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 22 May 2024. Subject to the passing of the relevant resolution of the forthcoming annual general meeting, the Final Dividend is expected to be paid on 12 June 2024.

DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on pages 46 to 47 of this annual report and Note 26 to the consolidated financial statements respectively.

As at 31 December 2023, the Company's reserves available for distribution to shareholders amounted to approximately HK$189.5 million (31 December 2022: approximately HK$171.5 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 107 of this 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 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in Note 25 to the consolidated financial statements.

DIRECTORS

The Directors during the year and up to the date of this report were, unless otherwise stated:

EXECUTIVE DIRECTORS

Mr. Richard Francis Celarc *(Chairman)*
Mr. Lau Chuk Kin
Ms. Tang Tsz Ying

NON-EXECUTIVE DIRECTOR

Mr. Paul Antony Young

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Tai Wai David
Mr. Tsui King Chung David
Mr. Lai Wing Hong Joseph

In accordance with No. 84 of the Company's bye-laws (the "Bye-laws"), Ms. Tang Tsz Ying, Mr. Paul Antony Young and Mr. Tsui King Chung David will retire at the forthcoming AGM and, being eligible, offer themselves for re-election.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographies of the Directors and senior management of the Group are set out in the section headed "Directors and senior management profile" in this annual report.

DIRECTORS' SERVICES CONTRACT

Mr. Richard Francis Celarc ("Mr. Celarc"), Mr. Lau Chuk Kin ("Mr. Lau") and Ms. Tang Tsz Ying ("Ms. Tang") have each entered into a service contract with the Company for an initial term of three years starting from 28 May 2018 and thereafter continued on a month to month basis. The service contract with Mr. Paul Antony Young, the non-executive Director, expired on 31 December 2023 and it has been renewed for two years from 1 January 2024 to 31 December 2025. The aforementioned Directors are subject to retirement by rotation and re-election in accordance with the Bye-laws. Such service contract is subject to termination by either party giving not less than three months' prior written notice to the other. Mr. Ho Tai Wai David and Mr. Tsui King Chung David the independent non-executive Directors, their services contracts with the Company expired on 31 December 2023 and they have been renewed for two years from 1 January 2024 to 31 December 2025. Mr. Lai Wing Hong Joseph, the independent non-executive Director has renewed his service contract with the Company for a period starting from 16 September 2023 to 31 December 2025. The independent non-executive Directors are subject to retirement by rotation and re-election in accordance with the Bye-laws. Such appointment is subject to termination by either party giving not less than one month's prior written notice to the other.

None of the Directors being proposed for re-election of the forthcoming AGM has any service contract with the Company or 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

Save for (i) the disclosure under related party transactions which is set out in Note 31 to the consolidated financial statements; and (ii) the disclosures under the section headed "Continuing Connected Transactions" in this report, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company or an entity connected with 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 2023, 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 Hong Kong 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

	Nature of interest					
Name of Directors	Personal Interests (Shares)	Trust Interests (Shares)	Beneficiary of a trust Interests (Shares)	Corporate Interests (Shares)	Total Interests (Shares)	Percentage to the issued share capital of the Company (%)
Mr. Lau Chuk Kin (Note 1)	9,803,278	Nil	Nil	315,805,997	325,609,275	65.30
Mr. Richard Francis Celarc (Note 2)	Nil	7,533,039	5,955,780	11,523,168	25,011,987	5.01
Mr. Paul Antony Young (Note 3)	Nil	Nil	Nil	4,382,967	4,382,967	0.88

Notes:

1. Mr. Lau Chuk Kin ("Mr. Lau") is deemed to be interested in 325,609,275 Shares through his personal interests and corporate interests. Of 315,805,997 corporate interests, 299,153,954 Shares, 16,133,457 Shares and 518,586 Shares are beneficially owned through Bookbuilders BVI Limited ("Bookbuilders BVI"), City Apex Ltd. ("City Apex") and ER2 Holdings Limited ("ER2 Holdings"), respectively. Bookbuilders BVI is an indirect wholly-owned subsidiary of 1010 Group Limited ("1010 Group") and 1010 Group is a wholly-owned subsidiary of Lion Rock Group Limited ("Lion Rock"). Lion Rock is held directly by City Apex, ER2 Holdings and Mr. Lau as to 33.52%, 1.08% and 12.10% respectively. City Apex is owned as to 77.00% by ER2 Holdings. ER2 Holdings is owned as to 69.76% by Mr. Lau. By virtue of Part XV of the SFO, Mr. Lau is deemed to be interested the said Shares.

2. Mr. Celarc is deemed to be interested in 25,011,987 Shares, which comprises (i) 33,117 Shares held by Navigator Australia Limited (as the custodian for the Richard Celarc Family Trust); (ii) 11,523,168 Shares held by D.M.R.A. Property Pty Limited ("D.M.R.A. Property"), a company wholly-owned by Mr. Celarc; (iii) 7,533,039 Shares held by the Richard Celarc Family Trust by virtue of Mr. Celarc being the trustee; and (iv) 5,922,663 Shares held by Ligare Superannuation Nominees Pty Ltd as the trustee for Ligare Staff Superannuation Fund of which both Mr. Celarc and his wife are the only members of the superannuation fund.

3. Mr. Young is deemed to be interested in 4,382,967 Shares through Clapsy Pty Ltd, a company owned as to 50.00% and 50.00% by Mr. Young and his wife Mrs. Lorraine Young.

(b) Long Position in the shares of Lion Rock

Name of Directors	Personal Interests (Shares)	Corporate Interests (Shares)	Total Interests (Shares)	Percentage to the issued share capital of Lion Rock (%)
Mr. Lau Chuk Kin (Note)	93,183,906	266,432,717	359,616,623	46.70
Mr. Richard Francis Celarc	200,000	–	200,000	0.03

Note: Of 266,432,717 shares of Lion Rock which Mr. Lau is deemed to be interested in, 258,135,326 shares and 8,297,391 shares are beneficially owned by City Apex and ER2 Holdings respectively. As at 31 December 2023, ER2 Holdings was the ultimate holding company of City Apex. Mr. Lau owned 69.76% of the issued share capital of ER2 Holdings and accordingly, Mr. Lau is deemed to be interested in the said shares of Lion Rock pursuant to Part XV of SFO.

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

	Number of shares				
Name of Directors	Outstanding at 1.1.2023	Granted during the year	Vested during the Year	Cancelled/ lapsed during the year	Outstanding at 31.12.2023
Mr. Lau Chuk Kin	200,000	–	(200,000)	–	–
Mr. Richard Francis Celarc	200,000	–	(200,000)	–	–
Ms. Tang Tsz Ying	1,288,000	–	–	–	1,288,000
Mr. Ho Tai Wai David	–	200,000	–	–	200,000

Save as disclosed above, as at 31 December 2023, to the best knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed to have any interests or 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 Hong Kong Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company has no share option scheme as at the date of this annual report.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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 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 2023, 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 shareholders	Beneficial Owner (Shares)	Interest in controlled corporation (Shares)	Total Interests (Shares)	Percentage to the issued share capital of the Company (%)
ER2 Holdings (Note 1)	518,586	315,287,411	315,805,997	63.33
City Apex (Note 1)	16,133,457	299,153,954	315,287,411	63.23
Lion Rock (Note 1)	Nil	299,153,954	299,153,954	59.99
1010 Group (Note 1)	Nil	299,153,954	299,153,954	59.99
Bookbuilders BVI (Note 1)	299,153,954	Nil	299,153,954	59.99
Mr. Webb David Michael (Note 2)	10,578,447	14,390,113	24,968,560	5.00

Notes:

1. Bookbuilders BVI is a wholly-owned subsidiary of 1010 Group and an indirect wholly-owned subsidiary of Lion Rock. Lion Rock was owned as to 33.52%, 1.08% and 12.10% by City Apex, ER2 Holdings and Mr. Lau respectively. ER2 Holdings was the holding company of City Apex. and deemed to be interested in the said Shares pursuant to Part XV of the SFO.

2. Mr. Webb David Michael ("Mr. Webb") directly held 10,578,447 Shares and indirectly held 14,390,113 Shares through Preferable Situation Assets Limited. Preferable Situation Assets Limited was 100% owned by Mr. Webb and therefore Mr. Webb was deemed to be interested in the said Shares.

Save as disclosed above, as at 31 December 2023, 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 56% and 30%, respectively, of the Group's total purchases for the year ended 31 December 2023.

The top five customers in aggregate and the single largest customer of the Group accounted for approximately 54% and 18%, respectively, of the Group's total sales for the year ended 31 December 2023.

At no time during the year did a Director, a close associate of a Director (within the meaning of the 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 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 the reporting year. The Company has maintained directors' liabilities insurance which provides appropriate cover for the Directors.

Pursuant to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duties.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (2022: Nil).

COMPETING INTERESTS

Mr. Celarc is a director and a shareholder holding 100% of the issued share capital of Ligare Limited ("Ligare (NZ)"), a company principally engaged in the printing of quick turnaround time education books in New Zealand. In view of the difference between the Group and Ligare (NZ) in terms of geographical markets, types and range of printing services offered, target customers and operating scale, the Directors consider that there was no actual competing business between the Group and Ligare (NZ) during the year. Moreover, during the year, the Company adopted the following corporate governance measures to manage the potential conflict of interests arising from Mr. Celarc's interests in Ligare (NZ) and to protect the interests of the Company:

(a) the executive Directors (including Mr. Celarc) have given certain non-competition undertakings in their respective service contract with the Group, which provides that, inter alia, subject to the conditions and terms contained therein, each of them shall not carry on or be concerned or interested, directly or indirectly, in any capacity in any business which is in competition with the Group, nor become a holder of five percent (5.0%) or more of the issued shares or debentures of any company listed on any recognised stock exchange;

(b) Mr. Celarc confirmed to the Board that Ligare (NZ) did not engage in any business during the year which would compete with that of the Group; and

(c) the independent non-executive Directors reviewed the competing interests held by Mr. Celarc and considered that that the possibility of Ligare (NZ) competing with the Group is remote.

Save as disclosed above, none of the Directors 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

Non-exempt continuing connected transaction

The Group entered into one transaction which constituted non-exempt continuing connected transaction of the Company and was subject to announcement, disclosure and annual review and reporting requirements but were exempt from circular (including independent financial advice and shareholders' approval requirements) pursuant to Chapter 14A of the Listing Rules. Brief particular of such transaction is listed below:

Lease of premises from D.M.R.A. Property

On 23 December 2022, Ligare (an indirect wholly-owned subsidiary of the Company) entered into a renewal lease agreement with D.M.R.A. Property (a company wholly-owned by Mr. Celarc, the Chairman and executive Director) in respect of the lease of two properties situated at 138-152 Bonds Road and 23-25 Skinner Avenue respectively in Riverwood, NSW, Australia (the "Premises"), where the Company will continue to lease the Premises from D.M.R.A. Property for a term of 18 months commencing from 1 January 2023 and ending on 30 June 2024. The rental will be aggregated HK$6,431,953 (equivalent to AUD1,234,540) for the lease period and the Company will be responsible for the payment of outgoings. During the year ended 31 December 2023, the actual aggregate rental paid was HK$4,128,008 (equivalent to AUD823,027), which was in line with the renewed lease.

The independent non-executive Directors have reviewed the continuing connected transaction above and confirmed that this transaction has been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

BDO Limited, the Company's auditor, was engaged to report on the Group's continuing connected transaction above in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company has received an unqualified letter from BDO Limited containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with Rule 14A.56 of the Listing Rules.

Fully-exempt continuing connected transactions

1. *Framework agreement with Inscope Media Pty Limited ("Inscope Media")*
   During the year ended 31 December 2023, the Company and Inscope Media (a company wholly-owned by Mr. Douglas Stephen Convoy who is the son-in-law of Mr. Celarc) entered into a framework service agreement (the "Framework Agreement"), pursuant to which the Group agreed to provide printing services to Inscope Media for a term of one year commencing from 1 January 2023 to 31 December 2023 with an annual cap of HK$2,108,000 (equivalent to AUD400,000). The service fees for the printing services to be paid by Inscope Media will be determined from time to time by the parties on arm's length basis and normal commercial terms and with reference to, among other things, the raw materials cost, quantity, labour cost, production cost, credit terms and terms of delivery, and determine the mark-up margin by considering the Group's production schedule, seasonality factor and complexity. The actual aggregate yearly service fees paid during the year ended 31 December 2023 was HK$1,191,411 (equivalent to AUD228,653), which was within the annual cap set under the Framework Agreement.

2. *Consultancy fees paid to Mr. Celarc*
   During the year ended 31 December 2023, the Company entered into a consultancy arrangement with Angrich Pty Limited ("Angrich"), a company wholly-owned by Mr. Celarc. There was no annual cap under this consultancy arrangement and the actual aggregate fees paid to Angrich from the Group amounted to HK$1,481,800 (equivalent to AUD287,500).

3. *Acquisition of property plant and equipment from Lion Rock*
   During the year ended 31 December 2023, the Company purchased various used binding machines from Lion Rock. The considerations were determined from time to time by the parties on arm's length basis and normal commercial terms and with reference to, among other things, machine condition, transportation costs and general market price. There was no annual cap under this arrangement and the actual aggregate amount paid to Lion Rock from the Group amounted HK$1,952,350 (equivalent to AUD 386,604).

As all relevant applicable percentage ratios exceed 0.1% but less than 5% and the amount are less than HK$3,000,000, these transactions are fully exempted from compliance with the requirements of reporting, annual review, announcement, and approval by independent shareholders under Chapter 14A of the Listing Rules.

Save as disclosed in this section, those related party transactions during the year ended 31 December 2023 as disclosed in Note 31 to the consolidated financial statements in this annual report, which would have otherwise been constituted connected or continuing connected transactions (as the case may be) under Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that during the year and up to the date of this annual report, the Company has maintained a sufficient public float of at least 25% of the issue Shares of the Company as required under the Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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 37 of this annual report.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to its shareholders by reason of their holding of the Shares. If the shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2023, the Group had 329 full-time employees (2022: 325). The remuneration packages of the Group's employees are maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary, bonus and over-time payments system. Other employees' fringe and welfare benefits include retirement benefits, occupational injury insurance and other miscellaneous items. Particulars of Directors' remuneration and the five highest paid employees' emolument are set out in Note 9 to the consolidated financial statements in this annual report.

The principal elements of the Directors' remuneration package include basic salary and discretionary bonus and other benefits in kind, including contributions to their pension scheme. The emoluments of the Directors are based on each Director's experience, responsibility, performance and the time devoted to the Group's business 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.

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Group has no significant events after the reporting period and up to the date of this annual report.

AUDITOR

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

On behalf of the Board

Richard Francis Celarc
Chairman
Hong Kong, 27 March 2024

CORPORATE GOVERNANCE REPORT

The Group has adopted practices which meet the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix C1 to the Listing Rules on the Hong Kong Stock Exchange. This report describes the Company's corporate governance practices and explains the applications of the principles and code provisions of the Code and deviations, if any.

Throughout the year ended 31 December 2023, the Company has complied with all applicable principles and code provisions as set out in the Code.

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 C3 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard as set out in the Model Code regarding securities transactions by the directors throughout the year ended 31 December 2023.

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for leading 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 the executive Directors and senior management, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through the executive Directors who have attended Board meetings.

The Company has arranged for appropriate liability insurance for the Directors and officers of the Group to indemnify them from liabilities arising from any corporate activities.

All Directors have been provided, on a monthly basis, with updates on the Group's management information in order to ensure they are aware of the Group's affairs and which facilitates them in discharging their duties under the relevant requirements of the Listing Rules.

Board Nomination Policy and Diversity Policy

The Board has adopted a board diversity policy (the "Board Diversity Policy") and a board nomination policy (the "Board Nomination Policy") respectively to enhance board effectiveness and performance.

The Company recognises and embraces the benefits of having a diverse Board (including gender diversity), and sees diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments of the members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective. The Company currently has one female Director and the Board will endeavor to maintain female representation on the Board.

The Nomination Committee assists the Board in making recommendations in respect of the appointment of any proposed candidate to the Board or re-appointment of any existing members of the Board in accordance to the Board Nomination Policy. The Nomination Committee shall consider a wide range of factors when assessing the suitability of a proposed candidate which include, among other things, (i) the reputation for integrity; (ii) the accomplishments, experience and reputation in the printing industry and/or other relevant sectors; (iii) the commitment in providing sufficient time, interest and attention to the Company's business; (iv) the diversity aspects stipulated in the Board Diversity Policy; (v) the ability to assist and support management and make significant contributions to the Company's success; (vi) the compliance with the criteria of independence as prescribed under the Listing Rules for the appointment of an independent non-executive directors and (vii) other factors that the Nomination Committee or the Board may consider relevant and applicable from time to time.

The Nomination Committee will conduct a review of the Board Nomination Policy and the Board Diversity Policy, as appropriate. The Nomination Committee will also adhere to the Board Nomination Policy and Board Diversity Policy when making recommendation on any Board members' appointments.

Composition

The Board comprised seven Directors, three of whom are executive Directors, one is a non-executive Director and three are independent non-executive Directors as at 31 December 2023. The participation of independent 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. The Board has the balance of skills, experience and diversity of perspectives to meet the requirements of the Company's business. The Board composed of Directors who possess rich experience in the printing industry and/or strong financial and accounting expertise. Four of the Directors also hold, or previously held, directorship in other listed companies (apart from in the Company and OPUS) which would bring more varieties of insight to the Board in terms of industry and business development and corporate governance practice.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Mr. Richard Francis Celarc, Mr. Lau Chuk Kin and Ms. Tang Tsz Ying have each entered into a service contract with the Company for an initial term of three years starting from 28 May 2018 and thereafter continued on a month to month basis. The service contract with Mr. Paul Antony Young, the non-executive Director, expired on 31 December 2023 and it has been renewed for two years from1 January 2024 to 31 December 2025. The aforementioned Directors are subject to retirement by rotation and re-election in accordance with the Bye-laws. Such service contract is subject to termination by either party giving not less than three months' prior written notice to the other. Mr. Ho Tai Wai David and Mr. Tsui King Chung David the independent non-executive Directors, their services contracts with the Company expired on 31 December 2023 and they have been renewed for two years from 1 January 2024 to 31 December 2025. Mr. Lai Wing Hong Joseph, the independent non-executive Director has renewed his service contract with the Company for a period of period starting from 16 September 2023 to 31 December 2025. The independent non-executive Directors are subject to retirement by rotation and re-election in accordance with the Bye-laws. Such appointment is subject to termination by either party giving not less than one month's prior written notice to the other.

In accordance with No. 84 of the Bye-laws, Ms. Tang Tsz Ying, Mr. Paul Antony Young and Mr. Tsui King Chung David will retire at the forthcoming AGM and, being eligible, offer themselves for re-election.

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 Board members for the year ended 31 December 2023 were, unless otherwise stated:

EXECUTIVE DIRECTORS

Mr. Richard Francis Celarc *(Chairman)*
Mr. Lau Chuk Kin
Ms. Tang Tsz Ying

NON-EXECUTIVE DIRECTOR

Mr. Paul Antony Young

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Tai Wai David
Mr. Tsui King Chung David
Mr. Lai Wing Hong Joseph

The Company held four Board meetings and one annual general meeting ("AGM") in 2023. Details of the attendance record of each of the Directors are as follows:

	Attended/Held	
Directors	Board meeting	AGM
Mr. Richard Francis Celarc	4/4	1/1
Mr. Lau Chuk Kin	4/4	1/1
Ms. Tang Tsz Ying	4/4	1/1
Mr. Paul Antony Young	3/4	1/1
Mr. Ho Tai Wai David	4/4	1/1
Mr. Tsui King Chung David	4/4	1/1
Mr. Lai Wing Hong Joseph	4/4	1/1

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group for the year ended 31 December 2023.

The Directors' responsibilities in the preparation of the consolidated financial statements and the auditors' responsibilities are set out in the Independent Auditor's Report contained in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it has the 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 on an on-going basis. 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 the Group's 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.

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 levels are given access to price sensitive information.

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

The Board, through the Audit Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group covering all material controls, including financial, operational and compliance controls functions for the year. The Board considers that the Group's risk management and internal control systems are adequate and effective.

The Group has established a whistle-blowing policy under which it encourages the employees who have concerns about any suspected misconduct or malpractice within the Group to come forward and voice those concerns to the members of the audit committee. Code of conduct to promote and support anti-corruption practices are also set in the staff handbook.

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 conducted annually by an 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 business cycles and procedures undertaken by the Group on rotation basis and make recommendations for improving and strengthening the system. No significant deficiency was identified during the course of review and the systems were operating effectively and adequately. The internal control report findings and recommendations were discussed with the Audit Committee, who reported the findings to the Board. The Group will continue to review the need for an internal audit function annually.

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Mr. Richard Francis Celarc 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 individual named as chief executive officer as the daily operation and management of the Company is monitored by the executive Directors collectively with discussion with management of the Company from time to time. The Board believes that this arrangement enables the Company to make decisions, operate and implement follow up actions quickly in response to the changing environment. The Board also believes that the Company has a strong corporate governance structure in place with clear responsibilities to ensure the balance of power and authority so that the power is not concentrated in any one individual.

PROFESSIONAL DEVELOPMENT

Every newly appointed Director has been given 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 and regulatory 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, company ordinance and corporate governance practices organised 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.

The Directors confirmed they had compiled with code provision C.1.4 of the Code in relation to the training of the Directors. During the year, Mr. Richard Francis Celarc, Mr. Lau Chuk Kin, Ms. Tang Tsz Ying, Mr. Paul Antony Young, Mr. Ho Tai Wai David, Mr. Tsui King Chung David and Mr. Lai Wing Hong Joseph have participated in appropriate continuous professional development and refreshed their knowledge and skills 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 corporate governance functions to the executive Directors who are responsible for performing the following corporate governance duties:

(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 are in 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. Tang Tsz Ying, a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in Australia. Ms. Tang is also an executive Director and the vice president – finance of the Company. For the detailed biography of Ms. Tang, please refer to the section headed "Directors and Senior Management Profile" in this annual report. The company secretary assists the Board by ensuring good information flow within the Board and that the Board's policies and procedures are followed. Ms. Tang has taken not less than 15 hours of relevant professional training in 2023.

REMUNERATION COMMITTEE

The Remuneration Committee was established in September 2018. It currently comprises one executive Director namely Mr. Lau Chuk Kin and three independent non-executive Directors, namely Mr. Ho Tai Wai David, Mr. Tsui King Chung David and Mr. Lai Wing Hong Joseph. The chairman of the Remuneration Committee is Mr. Tsui King Chung David.

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

– to make recommendations to the Board on the Group's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

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

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

– to review and/or approve matters relating to share schemes under Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules").

The remuneration committee is responsible for making recommendations to the Board on remuneration packages for individual executive Director and senior management. The principal elements of the executive Directors' remuneration package include basic salary and discretionary bonus and other benefits in kind, including the contribution to the pension scheme. The emoluments of executive Directors are based on each Director's experience, responsibility, performance and the time devoted to the Group's business and are determined with 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 has held one meeting in 2023. Details of the attendance record of the committee meeting are as follows:

Members of the Remuneration Committee	Attended/Held
Mr. Lau Chuk Kin	1/1
Mr. Ho Tai Wai David	1/1
Mr. Tsui King Chung David	1/1
Mr. Lai Wing Hong Joseph	1/1

The meeting was held to review the remuneration policy and structure, assess the performance and determine the annual remuneration packages of the executive Directors and the senior management and other related matters.

Pursuant to paragraph E.1.5 of the Code, the remuneration of the members of the senior management paid by the Group by band for the year ended 31 December 2023 is set out below:

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

NOMINATION COMMITTEE

The Nomination Committee of the Company was established in September 2018. It currently comprises one executive Director namely Mr. Richard Francis Celarc and three independent non-executive Directors namely Mr. Ho Tai Wai David, Mr. Tsui King Chung David and Mr. Lai Wing Hong Joseph. The chairman of the Nomination Committee is Mr. Richard Francis Celarc.

The terms of reference of the Nomination committee are posted on the Company's website at www.leftfieldprinting.com. The roles and functions of the Nomination Committee include reviewing the structure, size and composition and diversity of the Board, identifying individuals suitably qualified to become Directors, selecting or making recommendations to the Board on nominations, making recommendation to the Board on the appointment or re-appointment of Directors and Board succession, and assessing the independence of the independent non-executive Directors.

The Nomination Committee held one meeting in 2023. Details of the attendance record of the committee meeting are as follows:

Members of the Nomination Committee	Attended/Held
Mr. Richard Francis Celarc	1/1
Mr. Ho Tai Wai David	1/1
Mr. Tsui King Chung David	1/1
Mr. Lai Wing Hong Joseph	1/1

The meeting was held to review the structure, size and composition of the Board and the Board Nomination Policy, assess the independence of the independent non-executive Directors; and recommended to the Board for consideration of retirement and re-election of Directors.

AUDIT COMMITTEE

The Audit Committee was established in September 2018. It currently comprises one non-executive Director namely Mr. Paul Antony Young and three independent non-executive Directors, namely Mr. Ho Tai Wai David, Mr. Tsui King Chung David and Mr. Lai Wing Hong Joseph. The chairman of the Audit Committee is Mr. Ho Tai Wai David.

The terms of reference of the Audit Committee are posted on the Company's website at www.leftfieldprinting.com. Under the terms of reference, the Audit Committee is responsible for overseeing the relationship between the Company and its external auditor, reviewing the Group's financial information and overseeing the Group's financial reporting, internal control and risk management systems. The Audit Committee is to, among other things, (i) be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditor; (ii) to review the consolidated financial statements and reports and consider any significant or unusual items contained in them; and (iii) to review the effectiveness of the Company's financial reporting system, internal control systems and associated procedures.

The Audit Committee has held three meetings in 2023. Details of the attendance record of the committee meeting are as follows:

Members of the Audit Committee	Attended/Held
Mr. Paul Antony Young	2/3
Mr. Ho Tai Wai David	3/3
Mr. Tsui King Chung David	3/3
Mr. Lai Wing Hong Joseph	3/3

During the year, the Audit Committee met with the senior management of the Company to review the Group's draft annual report and accounts, draft interim report, risk management and internal control system (including the review of internal control report and circulars), and provided advice and comments thereon to the Board. The Audit Committee also met with the 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 2023 interim report and 2022 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 2022 annual report, the Audit Committee met with the external auditor 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 2023 were as follows:

	HK$'000
Audit and review of financial reports –	
BDO Limited, Hong Kong	330
Other BDO network firms	645
	975
Other non-audit services*	
BDO Limited, Hong Kong	15
	990

* Other non-audit services were mainly related to the review of a non-exempted continuing connected transaction.

DIVIDEND POLICY

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

– the Group's actual and expected financial results;

– the Group's working capital requirements, capital expenditure requirements and future expansion plans;

– the Group's liquidity position;

– 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;

– 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

– 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 Bye-laws.

The Board shall review the dividend policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

DIVERSITY

The Company currently has one female Director and the Board will endeavor to maintain female representation on the Board. As at 31 December 2023, the percentages of male and female full-time employees (including senior management) are 74% and 26% respectively. The Board considers that the Group's workforce is diverse in terms of gender.

COMMUNICATION WITH SHAREHOLDERS

The Company adopted a Shareholders' Communication Policy in October 2018 reflecting mostly the current practices of the Company for communication with its Shareholders. Information will be communicated to Shareholders through:

- continuous disclosure to the Hong Kong 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.leftfieldprinting.com.

The Board endeavours to maintain an on-going dialogue with the Shareholders and in particular, use annual general meetings or other general meetings to communicate with the Shareholders and encourage their participation. The Chairman of the Board attended the AGM held on 30 May 2023 to answer questions and collect views of the Shareholders. The external auditor also attended the AGM to answer questions of the Shareholders. The shareholders communication policy allows shareholders views to be collected and responded effectively.

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 of requisition, 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 Shareholders. 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 Shareholders for consideration of the proposal raised by the Shareholders concerned at a SGM is at least fourteen clear days and not less than ten clear business days, or shorter if permitted by the Listing Rules.

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

Regarding 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.leftfieldprinting.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@leftfieldprinting.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 Shareholders. 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 LEFT FIELD PRINTING GROUP LIMITED
澳獅環球集團有限公司
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Left Field Printing Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 44 to 106, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") 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 Hong Kong Institute of Certified Public Accountants ("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.

INDEPENDENT AUDITOR'S REPORT

Valuation of inventories

Refer to Note 17 and the Group's material accounting policies and critical accounting estimates and judgements in relation to valuation of inventories set out in Note 2.7 and Note 4(vi) to the consolidated financial statements, respectively.

As at 31 December 2023, the carrying value of the Group's inventories amounted to HK$91,170,000, net of provision of obsolete inventories of HK$8,897,000, which consisted mainly of papers and supplies used for the book printing. Inventories are carried at lower of cost and net realisable value in the consolidated financial statements. Net realisable value of inventories is the estimated selling price in the ordinary courses of business, less estimated cost of completion and the estimated costs necessary to make the sale. The level of the provision is assessed by taking into account the recent sales experience, aging of inventories and other factors that affect inventory obsolescence. Valuation of inventories is a key audit matter due to the size of the balance and the degree of estimation and judgement required to be made by the Group in determining the provision for obsolescence.

Our response

To determine whether the valuation of inventories was appropriate at reporting date we performed, amongst others, the following audit procedures:

– Assessed the Group's accounting policy for the valuation of inventories and provisioning against inventory obsolescence to ensure it has been appropriately formulated in accordance with IFRS Accounting Standards;

– Attended and observed management's inventory count procedures by a component auditor to review the condition of the Group's inventories and identify slow moving, excess and obsolete inventories;

– Assessed the reasonableness of judgement applied by the Group in determining the provision for obsolescence with reference to recent sales experience and ageing of inventories on hand at year-end;

– Checked raw materials purchased for the year to purchase invoices on a sample basis and assessed the reasonableness of the absorption method of production overheads to work-in-progress and finished goods on hand at year-end;

– Checked the subsequent sales invoices on a sample basis and compared inventories' carrying amounts to their net realisable value; and

– Analysed inventories turnover days by inventories' category in comparison to the previous year.

INDEPENDENT AUDITOR'S REPORT

Impairment of trade and other receivables

Refer to Note 18, Note 19 and the Group's material accounting policies and critical accounting estimates and judgements in relation to valuation of trade and other receivables set out in Note 2.6 and Note 4(v) to the consolidated financial statements, respectively.

As at 31 December 2023, the carrying value of the Group's trade and other receivables amounted to HK$104,324,000, net of provision for impairment of HK$188,000. Reversal of provision for impairment on trade and other receivables of HK$120,000 was recognised in profit or loss during the year.

The policy for impairment of receivables of the Group is based on, where appropriate, the evaluation of risk of default and ECL rates. The Group adopts judgement in making these assumptions and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward looking estimates at end of reporting date. Impairment of trade and other receivables is a key audit matter due to the size of the balance and the degree of estimation and judgement required to be made by the Group in determining the impairment of trade and other receivables.

Our response

To determine whether impairment of trade and other receivables was appropriate at reporting date we performed, amongst others, the following audit procedures:

- Obtained an understanding of the Group's credit policies and evaluated the Group's policy for estimating impairment with reference to the requirements of the prevailing accounting standard;

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

- Assessed 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;

- Discussed with management about the recoverability status of material overdue balances and assess whether provision is required; and

- Reviewed management's assessment on impairment and considered whether it has been recognised in accordance with IFRS Accounting Standards.

INDEPENDENT AUDITOR'S REPORT

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 International Financial Reporting Standards 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.

INDEPENDENT AUDITOR'S REPORT

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.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

Hong Kong, 27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	Year ended 31 December 2023	2022
		HK$'000	HK$'000
Revenue	6	558,038	505,361
Direct operating costs		(444,423)	(411,590)
Gross profit		113,615	93,771
Other income and gains or losses, net	6	7,526	16,284
Selling and distribution costs		(33,149)	(34,356)
Administrative expenses		(39,632)	(39,327)
Fair value loss on financial asset at fair value through profit or loss	23	–	(2,635)
Reversal of/(provision for) impairment of trade receivables and other receivables, net	18,19	120	(14,944)
Finance costs	7	(1,353)	(1,079)
Profit before income tax	8	47,127	17,714
Income tax expense	10	(13,794)	(6,490)
Profit for the year		33,333	11,224
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss:			
Exchange loss on translation of functional currency to presentation currency		(567)	(14,597)
Other comprehensive income for the year, net of tax		(567)	(14,597)
Total comprehensive income for the year		32,766	(3,373)
Profit for the year attributable to:			
Owners of the Company		33,333	11,224
Total comprehensive income attributable to:			
Owners of the Company		32,766	(3,373)
Earnings per share			
Basic	12	HK6.68 cents	HK2.25 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	As at 31 December 2023 HK$'000	2022 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	64,058	44,959
Deposits for acquisition of property, plant and equipment		568	5,119
Right-of-use assets	15	17,523	22,978
Deferred tax assets	13	20,239	21,491
Goodwill	16	12,303	12,374
		114,691	106,921
Current assets			
Inventories	17	91,170	87,854
Trade receivables	18	102,640	119,957
Other receivables, deposits and prepayments	19	8,792	8,631
Financial assets at fair value through profit or loss	23	–	–
Current tax recoverable		–	2,414
Cash and cash equivalents	20	85,514	48,349
		288,116	267,205
Current liabilities			
Trade and other payables	21	42,708	48,324
Lease liabilities	22	14,914	14,192
Provisions	24	29,221	31,326
Provisions for income tax		8,943	–
		95,786	93,842
Net current assets		192,330	173,363
Total assets less current liabilities		307,021	280,284
Non-current liabilities			
Lease liabilities	22	3,645	9,903
Provisions	24	3,169	2,713
Deferred tax liabilities	13	12,654	12,881
		19,468	25,497
Net assets		287,553	254,787
EQUITY			
Share capital	25	4,987	4,987
Reserves	26	282,566	249,800
Total equity		287,553	254,787

On behalf of the directors

Richard Francis Celarc

Director

Lau Chuk Kin

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital	Share premium	Contributed surplus	Merger reserve	Foreign currency translation reserve	Proposed final dividend	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2023	4,987	89,975	183,655	(42,177)	(13,895)	–	32,242	254,787
Total comprehensive income for the year								
Profit for the year	–	–	–	–	–	–	33,333	33,333
Other comprehensive income								
Currency translation	–	–	–	–	(567)	–	–	(567)
Total comprehensive income for the year	–	–	–	–	(567)	–	33,333	32,766
Transactions with owners in their capacity as owners								
2023 proposed final dividend (Note 11)	–	–	–	–	–	19,947	(19,947)	–
Total transactions with owners	–	–	–	–	–	19,947	(19,947)	–
Balance at 31 December 2023	4,987	89,975	183,655	(42,177)	(14,462)	19,947	45,628	287,553

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital	Share premium	Contributed surplus	Merger reserve	Foreign currency translation reserve	Proposed final dividend	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2022	4,987	89,975	183,655	(42,177)	702	14,960	21,018	273,120
Total comprehensive income for the year								
Profit for the year	–	–	–	–	–	–	11,224	11,224
Other comprehensive income								
Currency translation	–	–	–	–	(14,597)	–	–	(14,597)
Total comprehensive income for the year	–	–	–	–	(14,597)	–	11,224	(3,373)
Transactions with owners in their capacity as owners								
Dividends (Note 11)	–	–	–	–	–	(14,960)	–	(14,960)
Total transactions with owners	–	–	–	–	–	(14,960)	–	(14,960)
Balance at 31 December 2022	4,987	89,975	183,655	(42,177)	(13,895)	–	32,242	254,787

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Profit before income tax		47,127	17,714
Adjustments for:			
Interest income	6	(1,185)	(452)
Finance costs	7	1,353	1,079
Depreciation of property, plant and equipment	8,14	13,550	9,980
Depreciation of right-of-use assets	8,15	18,112	18,283
(Reversal of)/provision for impairment of trade receivables and other receivables, net	8,18,19	(120)	14,944
Debt forgiveness	8	–	(4,484)
Provision for impairment of inventories	8,17	4,401	434
Gain on disposals of property, plant and equipment	6	(248)	(1,916)
Loss/(gain) on lease modification, net	6	10	(290)
Reversal of provision for lease dilapidation	6	–	(980)
Loan interest income	6	–	(3,158)
Fair value loss of financial asset at fair value through profit or loss	8	–	2,635
Net cash inflow generated from operating activities		83,000	53,789
Decrease/(increase) in trade and other receivables		15,558	(33,252)
Increase in inventories		(8,119)	(24,874)
(Decrease)/increase in trade and other payables		(4,644)	10,865
(Decrease)/increase in provisions		(1,482)	179
Cash generated from operations		84,313	6,707
Income taxes paid, net		(1,794)	(3,125)
Interest received		1,185	452
Net cash generated from operating activities		83,704	4,034
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(27,463)	(21,554)
Increase in deposits for acquisition of property, plant and equipment		(568)	(5,119)
Proceeds from disposals of property, plant and equipment		278	1,840
Payments made upfront for leased plant and equipment right-of-use assets		–	(17,361)
Increase in loan to a third party		–	(56,700)
Loan repayment received		–	49,950
Loan interest received	6	–	3,158
Purchase of financial assets at fair value through profit or loss	23	–	(13,875)
Proceed from disposal of financial assets at fair value through profit or loss	31	–	9,900
Cash consideration paid for business combination	30	–	(47,175)
Net cash used in investing activities		(27,753)	(96,936)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 HK$'000	2022 HK$'000
Cash flows from financing activities			
Dividends paid		–	(14,960)
Payments of principal portion of lease liabilities		(18,194)	(16,891)
Interest portion of lease liabilities paid	7	(1,289)	(1,079)
Net cash used in financing activities		(19,483)	(32,930)
Net increase/(decrease) in cash and cash equivalents		36,468	(125,832)
Cash and cash equivalents at 1 January		48,349	169,884
Net effect of exchange rate changes		697	4,297
Cash and cash equivalents at 31 December		85,514	48,349
Analysis of cash and cash equivalents			
Cash and bank balances	20	85,514	48,349

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

Left Field Printing Group Limited (the "Company") was incorporated as an exempted company with limited liability in Bermuda on 18 April 2018. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business in Hong Kong is Level 11 East Wing, NEO, 123 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. The principal place of business in Australia is 138 Bonds Road, Riverwood, NSW 2210, Australia. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") on 8 October 2018.

As at 31 December 2023, the Company's ultimate holding company is Lion Rock Group Limited, which was incorporated in Bermuda and is also a listed company on the Main Board of the SEHK.

The Company is an investment holding company. Details of the activities of its principal subsidiaries are set out in Note 32 to the consolidated financial statements. The Company and its subsidiaries are collectively referred to as the "Group" hereafter. Major operations of the Group are carried out in Australia.

The consolidated financial statements for the year ended 31 December 2023 were approved for issue by the board of directors of the Company on 27 March 2024.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements on pages 44 to 106 have been prepared in accordance with IFRS® Accounting Standards and IAS® Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively "IFRS Accounting Standards") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also include the applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK.

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

The consolidated financial statements have been prepared under historical cost convention except for certain financial instruments that are measured at fair values at the end of reporting period. The measurement bases are fully described in the accounting policies below.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Business combinations 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 consolidated financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

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

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

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

2.3 Foreign currency translation

The functional currency of the Company is Australian Dollars ("AUD"), while the consolidated financial statements are presented in Hong Kong Dollars ("HK$") for the reason to enable the shareholders and potential investors of the Company to have a more accurate picture of the Group by aligning the Group's financial performance with its share price as the Company's shares are listed on the SEHK.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.3 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 average exchange rates for the month of the transactions, unless exchange rates fluctuated significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in foreign currency translation reserve in equity.

2.4 Property, plant and equipment

Property, plant and equipment are stated at 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 and are measured at cost less accumulated impairment losses. Depreciation on other property, plant and equipment is provided to write-off their costs to their estimated residual value, over their estimated useful lives, using straight-line method, as the following:

Buildings	5-25 years
Leasehold improvements	The shorter of the lease or 5-25 years
Plant and equipment	2-20 years
Office furniture and equipment	2-10 years
Motor vehicles	3-8 years
Computer equipment	1-5 years

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.5 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 unit ("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 2.11), and whenever there is an indication that the unit may be impaired.

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 costs 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.6 Financial instruments

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.

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. The Group classifies its debt instruments as measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using effective interest method. Amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at FVTPL include financial assets held for trading. 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. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.6 Financial instruments (Continued)

Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on financial assets including trade receivables, other receivables and deposits and cash and cash equivalents. ECLs are measured on either of the following bases: (1) 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; or (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 using IFRS 9 "Financial Instruments" ("IFRS 9") simplified approach and has calculated ECLs based on lifetime ECLs. The Group uses practical expedients when estimating lifetime ECLs on trade receivables, which is calculated using 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, which a fixed provision rate applies depending on the number of days that a trade receivable is outstanding.

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

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

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

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; or (2) the financial asset is more than 90 days past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.6 Financial instruments (Continued)

Impairment loss on financial assets (Continued)

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

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

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

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

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

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.

Financial liabilities

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

The Group classifies its financial liabilities as measured at amortised cost including trade and other payables, using 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 the amortisation process.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.6 Financial instruments (Continued)

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.

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 IFRS 9.

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

2.7 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using weighted average 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 the estimated costs necessary to make the sale.

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.

2.8 Lease

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 "Lease" ("IFRS 16") at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.8 Lease (Continued)

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of property, plant and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are amortised on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the carrying amount of the relevant right-of-use asset is transferred to property, plant and equipment.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.8 Lease (Continued)

The Group as a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.9 Provisions and contingent liabilities

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

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

2.10 Revenue recognition

In according with IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15"), revenue from contract 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.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.10 Revenue recognition (Continued)

Sales of goods

Revenue arising from sales of goods is recognised at a point in time when the goods is transferred and the customer (i.e. publishers) has received the publications, since only by the time the Group has a present right to payment for the goods delivered. There is generally only one performance obligation. Invoices are usually payable within 30 to 90 days.

The Group's contracts with customers from the sale of goods provide customers a volume rebate if the customer purchase more than certain volume of goods in a calendar year. The volume rebates give rise to variable consideration. The Group estimated the expected volume rebates using the most likely amount of rebates approach and as a reduction of revenue as the sales are recognised.

Contract liabilities

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

2.11 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment and right-of-use assets 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.

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.

2.12 Employee benefits

(i) Short term obligations

The liabilities for wages and salaries, including annual leave and long service leave expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liabilities of employee benefit obligations are presented as payables in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.12 Employee benefits (Continued)

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave which is not expected to be settled within twelve months after the end of the period in which the employees rendered the related service. They are therefore 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 using the projected unit credit method. 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 of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

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

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises restructuring costs involving the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to present value.

(iv) Defined contribution plan

Superannuation is categorised as a defined contribution plan. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

The contributions to defined contribution plans are recognised as employee benefits expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.13 Government grant

Government grant is not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grant that is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs is recognised in profit or loss in the period in which it becomes receivable and is recognised as other income and gains, rather than reducing the related expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.14 Income taxes

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits and does not give rise to equal taxable and deductible temporary differences, 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.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

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.

Current tax assets and current tax liabilities are presented in net if, any only if, the Group has the legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

(i) The same taxable entity; or

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.15 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

3.1 Adoption of new or amended IFRS Accounting Standards

During the year, the Group has adopted all the new or amended IFRS Accounting Standards which are first effective for the reporting year and relevant to the Group.

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

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

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

Amendments to IAS 8 – Definition of Accounting Estimates

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

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

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

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

The application of these amendments have had no material impact on the Group's financial positions and performance for the current and prior years while the amendment to IAS 1 and IFRS Practice Statement 2 have no effect on the measurement or presentation of any items in the Consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

3.2 Amended IFRS Accounting Standards that have been issued but are not yet effective

At the date of the issuance of these consolidated financial statements, the following amended IFRS Accounting Standards have been published but are not yet effective, and have not been adopted early by the Group.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1	Non-current Liabilities with Covenants[1]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[1]
Amendments to IAS 21	Lack of Exchangeability[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[1]

1 Effective for annual periods beginning on or after 1 January 2024.
2 Effective for annual periods beginning on or after 1 January 2025.
3 No mandatory effective date yet determined but available for adoption.

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

Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current (the "2020 Amendment")

The 2020 amendments clarify the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period and make clear the link between the settlement of the liability and the outflow of resources from the entity.

Amendments to IAS 1 – Non-current Liabilities with Covenants

The 2022 Amendments modify the requirements introduced by the 2020 Amendments on how an entity classifies debt and other financial liabilities with covenants as current or non-current. The amendments specify that only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements

The amendments require new disclosure requirements about the supplier financing arrangements. The amendments are intended to enable investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk.

Amendments to IAS 21 – Lack of Exchangeability

The amendments specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

3.2 Amended IFRS Accounting Standards that have been issued but are not yet effective (Continued)

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

The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IFRS Accounting Standards in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are intended to improve the requirements for sale and leaseback transactions in IFRS 16. They do not change the accounting for leases unrelated to sale and leaseback transactions. The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

The directors of the Company do not anticipate that the application of this standard in the future will have an impact on the consolidated 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 2.5. The recoverable amounts of CGU 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. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(ii) Fair value measurement

A number of assets and liabilities included in the Group's consolidated 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 23.

(iii) 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.

(iv) Estimation of useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

(v) Impairment of receivables

Impairment of receivables assessment requires a degree of estimation and judgement. The policy for impairment of receivables of the Group is based on, where appropriate, the evaluation of risk of default and ECL rates. The Group adopts judgement in making these assumptions and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward looking estimates at end of reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(vi) Impairment of inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, ageing of inventories and other factors that affect inventory obsolescence.

(vii) Recognition of deferred tax assets

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

(viii) Provision for leasehold dilapidations

A provision has been made for the estimated cost of returning the leasehold properties to its original state at the end of the lease in accordance with the lease terms. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the consolidated statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

5. SEGMENT INFORMATION

Operating segments are presented using the "management approach", where the information presented is on the same basis as the internal reports provided to the chief operating decision maker (the "Chief Operating Decision Maker"). The Chief Operating Decision Maker is responsible for the allocation of resources to operating segments and assessing their performance, has been identified as the board of directors.

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker as defined above that are used to make strategic decision.

These individuals review the business primarily from a product and service offering perspective and have identified one reportable segment, which is printing solutions and services.

The printing solutions and services division provides digital and offset printing, and other ancillary business services including digital asset management, content management, back catalogue fulfilment, direct to consumer distribution and warehousing, variable data and intelligent mailing.

The division has short run, medium and long run production capabilities and in-house finishing.

The printing solutions and services division also has a business services model that enables the efficient and seamless content creation to consumption for the Australian government, government departments and agencies. This includes webhosting, electronic fulfilment, printing on demand and digital asset management. These capabilities have been extended to the publishing sector as well.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

5. SEGMENT INFORMATION (Continued)

(b) Segment revenue

Revenue from external parties reported is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income that are revenue from contracts with customer within the scope of IFRS 15.

Revenue by geographic location is not used by the Chief Operating Decision Maker in reviewing the performance of the CGU. Revenue and non-current assets of the Group are mainly in Australia.

(c) EBITDA as monitored by the directors and senior management

The Chief Operating Decision Maker assesses the performance of the operating segments based on a measure of EBITDA as monitored by the directors and senior management ("EBITDA"). This measure is consistent with the presentation of financial information internally for management accounts purpose.

A reconciliation of EBITDA to the profit before income tax per the consolidated statement of profit or loss and other comprehensive income is as follows:

	2023	2022
	HK$'000	HK$'000
EBITDA on ordinary activities	80,142	44,965
Depreciation	(31,662)	(28,263)
Net finance (cost)/income	(1,353)	1,012
Profit before income tax	47,127	17,714

(d) Segment assets and liabilities

The amounts provided to the Chief Operating Decision Maker with respect to total assets and total liabilities are not reported by operating segment as the Group has majority of its operation and workforce located in Australia.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

5. SEGMENT INFORMATION (Continued)

(e) Segment information

	Printing solutions and services HK$'000	Corporate* HK$'000	Total HK$'000
2023			
Total external revenue	558,038	–	558,038
Other income	6,389	1,137	7,526
Operating expenses#	(476,185)	(9,237)	(485,422)
EBITDA	88,242	(8,100)	80,142
Depreciation	(31,478)	(184)	(31,662)
Net finance cost	(1,279)	(74)	(1,353)
Profit before income tax	55,485	(8,358)	47,127
Total consolidated segment results	55,485	(8,358)	47,127
2022			
Total external revenue	505,361	–	505,361
Other income	9,649	660	10,309
Operating expenses#	(454,359)	(16,346)	(470,705)
EBITDA	60,651	(15,686)	44,965
Depreciation	(28,181)	(82)	(28,263)
Net finance (cost)/income	(1,370)	2,382	1,012
Profit before income tax	31,100	(13,386)	17,714
Total consolidated segment results	31,100	(13,386)	17,714

* Included in "Corporate" are the Group's activities in finance income and costs, staff costs and other corporate activities incurred under central corporate and treasury function which are not able to be allocated to printing solutions and services segment.

\# Included in "Operating expenses" are production expenses, staff costs and other administrative expenses incurred by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. REVENUE, OTHER INCOME AND GAINS OR LOSSES, NET

(a) The Group derives its revenue from sales of goods at a point in time during the years.

The Group has assessed that the disaggregation of revenue by operating segments in Note 5 is appropriate in meeting this disclosure requirement as this is the information regularly reviewed by the Chief Operating Decision Maker in order to evaluate the financial performance of the entity.

Revenue from customers contributing over 10% of the Group's revenue of the corresponding years is as follows:

	2023	2022
	HK$'000	HK$'000
Customer A	80,533	71,624
Customer B	58,670	63,297
Customer C	98,143	52,883

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

	2023	2022
	HK$'000	HK$'000
Contract liabilities (Note 21)	1,226	854

Contract liabilities relate to the advances received from customers. HK$827,000 (2022: HK$1,750,000) of contract liabilities as of 31 December 2022 has been recognised as revenue for the year ended 31 December 2023 from performance obligations satisfied in current year.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. REVENUE, OTHER INCOME AND GAINS OR LOSSES, NET (Continued)

(b) An analysis of the Group's other income and gains or losses, net during the year is as follows:

	2023	2022
	HK$'000	HK$'000
Scrap recoveries	3,058	3,121
Reversal of provision for lease dilapidation	–	980
Exchange gain/(loss), net	1,133	(63)
Debt forgiveness (Note (i) below)	–	4,484
Loan interest income	–	3,158
Gain on disposals of property, plant and equipment	248	1,916
(Loss)/gain on lease modification, net	(10)	290
Insurance refunds	694	643
Bank Interest income	1,185	452
Government subsidies (Note (ii) below)	359	–
Others	859	1,303
	7,526	16,284

Notes:

(i) On 10 September 2022, the Group entered into a deed of settlement with Ovato Limited ("Ovato") released all claims in connection with the business combination and other payables from the Group. Aggregate amount HK$4,484,000 was recognised as other income. No such income were received in 2023.

(ii) In 2023, the Group was entitled to a government subsidy relating to a manufacturing energy efficiency improvement project, which provided financial support amounted to HK$359,000 for installing solar panels. No such subsidies were received in 2022.

As at 31 December 2023 (2022: nil), there was no government subsidies receivable included in other receivables.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

7. FINANCE COSTS

	2023	2022
	HK$'000	HK$'000
Interest on lease liabilities	1,289	1,079
Other interest expenses	64	–
	1,353	1,079

8. PROFIT BEFORE INCOME TAX

	2023	2022
	HK$'000	HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Depreciation of right-of-use assets (Note 15 and Note (i) below)	18,112	18,283
Auditor's remuneration (Note (ii) below)	990	1,365
Cost of inventories recognised as expense	215,609	193,106
Debt forgiveness	–	(4,484)
Depreciation of property, plant and equipment (Note 14 and Note (iii) below)	13,550	9,980
Interest on lease liabilities (Note 7 and 22)	1,289	1,079
Provision for impairment of inventories (Note 17)	4,401	434
(Reversal of)/provision for impairment of trade receivables and other receivables, net (Note 18 and 19)	(120)	14,944
Fair value loss of financial asset at fair value through profit or loss (Note 23)	–	2,635
Short-term leases expenses	2,434	2,841
Employee benefits expense (Note (iv) below)		
Salaries, wages and other staff costs	149,974	142,351
Superannuation (Note (v) below)	13,209	11,314
	163,183	153,665

Notes:

(i) Depreciation charges on right-of-use assets of HK$14,348,000 (2022: HK$14,573,000) and HK$3,764,000 (2022: HK$3,710,000) have been included in direct operating costs and administrative expenses respectively for the year.

(ii) Auditor's remuneration for other services paid during the year amounted HK$15,000 which was related to the review of a non-exempted continuing connected transaction (2022: HK$390,000 was related to the review of a non-exempted continuing connecting transaction and as reporting accountants in acquisition of the Ovato book printing business) (included in administrative expenses).

(iii) Depreciation charges on property, plant and equipment of HK$12,720,000 (2022: HK$8,823,000) and HK$830,000 (2022: HK$1,157,000) have been included in direct operating costs and administrative expenses respectively for the year.

(iv) Employee benefits expense of HK$132,594,000 (2022: HK$128,290,000), HK$11,225,000 (2022: HK$9,577,000) and HK$19,364,000 (2022: HK$15,798,000) included directors' remunerations have been included in direct operating costs, selling and distribution costs and administrative expenses respectively.

(v) A subsidiary, OPUS Group Pty. Ltd. ("OPUS") and its controlled entities contribute to a number of superannuation funds. These funds provide benefits on a cash accumulation basis for employees or their dependents on resignation, retirement, total and permanent disablement or death. Benefits are based on the contributions and net income thereon held by the funds on behalf of their members. The level of these benefits varies according to the fund to which the employee belongs. The Group contributions to all superannuation funds are legally enforceable. Contributions may be made by the member in addition to the Group contributions, as specified by the rules of the fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

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

	Fee	Salaries, allowances and benefits in kind	Post-employment benefits	Long-term benefits	Total
	HK$'000	HK$'000	HK$'000	HK$000	HK$'000
2023					
Executive directors					
Mr. Richard Francis Celarc	–	–	–	–	–
Mr. Lau Chuk Kin	–	–	–	–	–
Ms. Tang Tsz Ying	–	891	117	–	1,008
Non-executive director					
Mr. Paul Antony Young	–	324	35	–	359
Independent non-executive directors					
Mr. Ho Tai Wai David	240	–	–	–	240
Mr. Lai Wing Hong Joseph	240	–	–	–	240
Mr. Tsui King Chung David	240	–	–	–	240
	720	1,215	152	–	2,087
2022					
Executive directors					
Mr. Richard Francis Celarc	–	–	–	–	–
Mr. Lau Chuk Kin	–	–	–	–	–
Ms. Tang Tsz Ying	–	799	96	–	895
Non-executive director					
Mr. Paul Antony Young	–	338	35	–	373
Independent non-executive directors					
Mr. Ho Tai Wai David	210	–	–	–	210
Mr. Lai Wing Hong Joseph	210	–	–	–	210
Mr. Tsui King Chung David	210	–	–	–	210
	630	1,137	131	–	1,898

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(a) Directors' emoluments (Continued)

During each of the two years ended 31 December 2023 and 2022, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2022: one) director whose emoluments is reflected in the analysis presented above. Emoluments payable to the four (2022: four) individuals during the year are as follows:

	2023	2022
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	5,154	3,145
Post-employment benefits	290	261
	5,444	3,406

Emolument paid or payables to each of the above non-director individuals for the year fell within the following band:

	2023	2022
	Number of individuals	Number of individuals
Emolument bonds		
Nil to HK$1,000,000	–	4
HK$1,000,001 to HK$1,500,000	3	–
HK$1,500,001 to HK$2,000,000	–	–
HK$2,000,001 to HK$2,500,000	1	–
	4	4

In 2023, HK$1,372,000 (2022: nil) was paid by the Group to one of the five highest paid individuals as compensation for loss of office. In 2023 and 2022, no emolument were paid by the Group to any of the five highest paid individuals as an inducement to join or upon in the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

10. INCOME TAX EXPENSE

(a) Income tax

The amount of taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2023	2022
	HK$'000	HK$'000
Current tax expense – Australia		
– Tax for the year	13,878	5,219
– Over-provision in prior years	(1,107)	(388)
	12,771	4,831
Deferred tax (Note 13)		
– Charged for the year	1,023	1,659
Total income tax expense	13,794	6,490

The Group's subsidiaries in Australia are subject to domestic tax rate of 30% (2022: 30%) on the estimated assessable profits.

For years ended 31 December 2023 and 2022, under the two-tiered profits tax rate regime, Hong Kong Profits Tax of the qualifying group entity incorporated in Hong Kong is calculated at 8.25% on the first HK$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2,000,000. There is no group entity subject to Hong Kong Profits Tax qualified for the two-tiered profits tax rates regime, is continuously taxed at a flat rate of 16.5% for the year ended 31 December 2023 (2022: nil). Oversea entity refers to incorporate in Hong Kong.

(b) Reconciliation of income tax expense

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

	2023	2022
	HK$'000	HK$'000
Profit before income tax	47,127	17,714
Income tax using the Group's domestic tax rate (30%)	14,138	5,314
Tax rate difference in overseas entity	249	428
Tax effect of non-assessable income	(3)	(1,439)
Tax effect of non-deductible expenses	197	1,986
Tax effect of tax losses not recognised	320	589
Over provision in prior years	(1,107)	(388)
Total income tax expense	13,794	6,490

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

10. INCOME TAX EXPENSE (Continued)

(c) Tax losses

	2023	2022
	HK$'000	HK$'000
Unused tax losses for which no deferred tax asset has been recognised	11,713	9,927

11. DIVIDENDS

	2023	2022
	HK$'000	HK$'000
Final dividend paid in respect of prior year of nil (2022: HK$0.03) per share	–	14,960
	–	14,960

At a meeting held on 27 March 2024, the directors recommended a final dividend of HK$0.04 per ordinary share, amounting to approximately HK$19,947,000 based on the total amount of ordinary shares in issue at the date. This proposed final dividend is not reflected as a dividend payable in these financial statements, but reflects as an appropriation of retained earnings for the year ended 31 December 2023.

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

12. EARNINGS PER SHARE

The calculation of basic earnings per share amount is based on profit attributable to owners of the Company of approximately HK$33,333,000 (2022: HK$11,224,000) and on the weighted average number of ordinary shares of 498,671,823 (2022: 498,671,823) in issue during the year.

No diluted earnings per share are presented as the Group has no dilutive potential ordinary shares during the year (2022: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

13. DEFERRED TAX BALANCES

(a) Deferred tax assets

Details of the deferred tax assets movement during the current and prior years without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Plant and equipment	Employee benefits	Provision for leasehold dilapidations	Provision for impairment of inventories	Capital raising cost	Lease liabilities	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1 January 2022	1,297	7,276	767	1,234	2,212	–	1,045	13,831
Acquisition through business combination (Note 30)	–	2,340	329	–	–	1,229	184	4,082
Additions	–	–	–	–	–	7,633	–	7,633
Credited/(Charged) to profit or loss	286	314	(271)	95	(1,728)	(995)	21	(2,278)
Exchange differences	(7)	(430)	(113)	(44)	(484)	(639)	(60)	(1,777)
At 31 December 2022 and 1 January 2023	1,576	9,500	712	1,285	–	7,228	1,190	21,491
Deferred tax amount not recognised in prior year	–	–	–	–	–	–	91	91
Credited/(Charged) to profit or loss	(257)	(435)	19	1,328	–	(1,546)	(278)	(1,169)
Exchange differences	(21)	(75)	(3)	56	–	(115)	(16)	(174)
At 31 December 2023	1,298	8,990	728	2,669	–	5,567	987	20,239

Recognition of deferred tax assets

Judgement is required in determining whether deferred tax assets are recognised in the consolidated statement of financial position. Deferred tax assets require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise the recognised deferred tax assets. Estimates of future taxable earnings in future periods, are based on forecasted taxable income.

At 31 December 2023, the Group has not recognised a deferred tax asset of HK$1,933,000 (2022: HK1,638,000) in respect of tax losses due to the unpredictable future profit streams against which the tax losses can be utilised amount. The Group has capital losses, for which no deferred tax asset is recognised in the consolidated statement of financial position, of HK$34,919,000 (2022: HK$35,119,000) as at 31 December 2023. These are available indefinitely for offset against future capital gains, subject to relevant tax tests. All tax losses had no expiry dates under the current tax legislation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

13. DEFERRED TAX BALANCES (Continued)

(b) Deferred tax liabilities

Details of deferred tax liabilities movement during the current and prior years without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Plant and equipment	Inventories	Right-of-use assets	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2022	483	1,877	–	3,545	5,905
Acquired through business combination (Note 30)	–	–	1,229	–	1,229
Additions	–	–	7,214	–	7,214
Charged/(credited) to profit or loss	137	(217)	(942)	403	(619)
Exchange differences	4	(144)	(608)	(100)	(848)
At 31 December 2022 and 1 January 2023	624	1,516	6,893	3,848	12,881
Charged/(credited) to profit or loss	1,153	482	(1,525)	(256)	(146)
Exchange differences	52	14	(111)	(36)	(81)
At 31 December 2023	1,829	2,012	5,257	3,556	12,654

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Plant and equipment	Office furniture and equipment	Motor vehicles	Leasehold improvements	Computer equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2022							
Cost	14,637	252,580	2,421	1,526	9,116	17,407	297,687
Accumulated depreciation and impairment	(10,763)	(226,295)	(2,309)	(1,261)	(8,852)	(17,074)	(266,554)
Net book amount	3,874	26,285	112	265	264	333	31,133
Year ended 31 December 2022							
Opening net book amount	3,874	26,285	112	265	264	333	31,133
Acquired through business combination (Note 30)	–	2,441	8	–	–	364	2,813
Additions	1,283	20,410	7	–	–	195	21,895
Depreciation for the year	(582)	(8,823)	(74)	(110)	(84)	(307)	(9,980)
Disposal	–	(5)	–	–	–	–	(5)
Exchange differences	(253)	(589)	(5)	(13)	(12)	(25)	(897)
Closing net book amount	4,322	39,719	48	142	168	560	44,959
At 31 December 2022 and 1 January 2023							
Cost	15,096	252,977	2,309	1,446	8,601	17,019	297,448
Accumulated depreciation and impairment	(10,774)	(213,258)	(2,261)	(1,304)	(8,433)	(16,459)	(252,489)
Net book amount	4,322	39,719	48	142	168	560	44,959
Year ended 31 December 2023							
Opening net book amount	4,322	39,719	48	142	168	560	44,959
Additions	–	32,520	–	421	150	172	33,263
Depreciation for the year	(327)	(12,720)	(37)	(114)	(53)	(299)	(13,550)
Disposal	–	–	–	(30)	–	–	(30)
Exchange differences	(33)	(381)	–	(31)	(136)	(3)	(584)
Closing net book amount	3,962	59,138	11	388	129	430	64,058
At 31 December 2023							
Cost	15,010	280,202	2,241	1,768	8,568	17,042	324,831
Accumulated depreciation and impairment	(11,048)	(221,064)	(2,230)	(1,380)	(8,439)	(16,612)	(260,773)
Net book amount	3,962	59,138	11	388	129	430	64,058

As at 31 December 2023 and 2022, the Group's freehold land and buildings were situated in Australia.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

15. RIGHT-OF-USE ASSETS

	Leased properties	Plant and equipment	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2022			
Cost	93,303	4,841	98,144
Accumulated depreciation	(69,844)	(4,146)	(73,990)
Net book amount	23,459	695	24,154
Year ended 31 December 2022			
Opening net book amount	23,459	695	24,154
Acquired through business combination (Note 30)	3,488	609	4,097
Additions	936	21,624	22,560
Depreciation for the year	(11,673)	(6,610)	(18,283)
Lease modification	30	(6,837)	(6,807)
Exchange differences	(930)	(1,813)	(2,743)
Closing net book amount	15,310	7,668	22,978
At 31 December 2022 and 1 January 2023			
Cost	79,646	15,540	95,186
Accumulated depreciation	(64,336)	(7,872)	(72,208)
Net book amount	15,310	7,668	22,978
Year ended 31 December 2023			
Opening net book amount	15,310	7,668	22,978
Additions	–	1,720	1,720
Depreciation for the year	(14,725)	(3,387)	(18,112)
Lease modification	13,671	(2,426)	11,245
Exchange differences	(338)	30	(308)
Closing net book amount	13,918	3,605	17,523
At 31 December 2023			
Cost	89,653	9,024	98,677
Accumulated depreciation	(75,735)	(5,419)	(81,154)
Net book amount	13,918	3,605	17,523

	2023	2022
	HK$'000	HK$'000
Expense relating to short-term leases	2,434	2,841
Additions to right-of-use assets	1,720	22,560
Total cash outflow for leases	19,483	17,970

As of 31 December 2023 and 2022, the Group did not have commitment for short-term leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

15. RIGHT-OF-USE ASSETS (Continued)

In 2023 and 2022, the Group leased a number of properties and production equipment for its operations. The leases run for an initial period which ranged from one to five years (2022: one to three years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has options to purchase certain machineries for a nominal amount at the end of the lease term. The Group's obligations are secured by the underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default of repayment by the Group.

In 2023, approximately one-third (2022: one-fifth) of the leases for property, plant and equipment expired. Two expired contracts were renewed by new leases for identical underlying assets.

Details of the lease maturity analysis of lease liabilities are set out in Notes 22 and 34(d).

16. GOODWILL

	HK$'000
At 1 January 2022	
Cost	–
Accumulated impairment loss	–
Net carrying amount	–
Year ended 31 December 2022	
Opening net carrying amount	–
Acquired through business combination (Note 30)	13,031
Exchange differences	(657)
Closing net carrying amount	12,374
At 31 December 2022 and 1 January 2023	
Cost	12,374
Accumulated impairment loss	–
Net carrying amount	12,374
Year ended 31 December 2023	
Opening net carrying amount	12,374
Exchange differences	(71)
Closing net carrying amount	12,303
At 31 December 2023	
Cost	12,303
Accumulated impairment loss	–
Net carrying amount	12,303

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

16. GOODWILL (Continued)

For the goodwill arising from the acquisition of book printing business in 2022, the Group performs impairment assessment for goodwill at each financial year end, or more frequently if there are indications that goodwill might be impaired. For the purpose of impairment testing, goodwill arising from the acquisition in 2022 have been allocated to one CGU comprising one subsidiary in the book printing business. In addition to goodwill above, property, plant and equipment and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the CGU for the purpose of impairment assessment.

The recoverable amounts for the CGU were determined based on value-in-use calculations using discounted cash flow technique. The calculation use cash flow projections based on financial budgets approved by management covering a 5-year period, which were mainly based on the actual results of the CGU for the current year. Cash flows beyond the 5-year period are extrapolated using the estimated growth rates of 0% (2022: 3%). The growth rate does not exceed the long-term average growth rate for the printing business in which the CGU operates. The discount rate used of 14% (2022:13%) for value-in-use calculation are pre-tax and reflect specific risks relating to the relevant CGU. Apart from the considerations described above in determining the recoverable amounts of the CGU, management is not aware of any other probable changes that would necessitate include in the key assumptions. Management determines that the CGU containing goodwill do not suffer any impairment.

17. INVENTORIES

	2023	2022
	HK$'000	HK$'000
Raw materials	94,111	78,227
Work-in-progress	3,047	11,395
Finished goods	2,909	2,516
Less: Provision for impairment	(8,897)	(4,284)
	91,170	87,854

During the year, the Group has provided further impairment of inventories HK$4,401,000 (2022: HK$367,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

18. TRADE RECEIVABLES

	2023	2022
	HK$'000	HK$'000
Trade receivables	102,828	120,271
Less: Provision for impairment	(188)	(314)
	102,640	119,957

Movement in the provision for impairment loss on trade receivables is as follows:

	2023	2022
	HK$'000	HK$'000
Balance at the beginning of the year	314	112
Impairment losses recognised	118	336
Impairment losses recovered	(238)	(79)
Exchange differences	(6)	(55)
Balance at the end of the year	188	314

Ageing analysis of trade receivables, net of provision, based on the invoice date, is as follows:

	2023	2022
	HK$'000	HK$'000
0 – 30 days	46,176	51,991
31 – 60 days	33,854	36,857
61 – 90 days	21,334	23,431
91 – 120 days	1,115	2,411
121 – 150 days	13	439
Over 150 days	148	4,828
	102,640	119,957

In general, the Group allows a credit period from 30 to 90 days (2022: 30 to 90 days) to its customers.

The directors of the Company 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.

In the year ended 31 December 2023, a provision of HK$741,000 (2022: provision of HK$336,000) was made against the gross amounts of trade receivables (Note 34(c)).

As at 31 December 2023 and 2022, the Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023	2022
	HK$'000	HK$'000
Deposits	763	1,631
Prepayments	6,345	6,008
Other receivables	1,684	15,679
Less: Provision for impairment	–	(14,687)
Other receivables – net	1,684	992
	8,792	8,631

As at 31 December 2023, no provision (2022: HK$14,687,000) was made against the gross amount of other receivables and deposits.

Movement in provision for impairment loss of other receivables is as follows:

	2023	2022
	HK$'000	HK$'000
Balance at the beginning of the year	14,687	–
Impairment losses recognised	–	14,687
Amount derecognised	(14,687)	–
Balance at the end of the year	–	14,687

20. CASH AND CASH EQUIVALENTS

	2023	2022
	HK$'000	HK$'000
Cash on hand and at banks	85,514	48,349

Bank balances earn interest at floating rates based on daily bank deposit rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

21. TRADE AND OTHER PAYABLES

	2023	2022
	HK$'000	HK$'000
Trade payables	13,266	25,226
Other payables and accruals:		
Other creditors	1,453	1,622
Sundry provisions and accruals	23,241	18,528
Contract liabilities	1,226	854
Provision for pay-as-you-earn/pay-as-you-go	634	527
GST payables	2,888	1,567
	29,442	23,098
	42,708	48,324

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

	2023	2022
	HK$'000	HK$'000
0 – 30 days	11,010	16,983
31 – 60 days	1,143	5,898
61 – 90 days	7	906
91 – 120 days	–	817
Over 120 days	1,106	622
	13,266	25,226

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

All amounts are short term and hence the carrying values of trade and other payables are considered to be a reasonable approximation to their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

21. TRADE AND OTHER PAYABLES (CONTINUED)

Contract liabilities

Breakdown of contract liabilities is as follows:

	2023	2022
	HK$'000	HK$'000
Contract liabilities arising from:		
Sale of goods (Note 6(a))	1,226	854

Typical payment terms which impact on the amount of contract liabilities are as follows:

Sale of goods

The Group may take certain deposits on acceptance of the order, with the remainder of the consideration payable upon the delivery of the publications. The deposits remain as contract liabilities until such time as publications are delivered. No element of financing is deemed present as the sales are made with a credit term which is consistent with market practice.

Movement in contract liabilities is as follows:

	2023	2022
	HK$'000	HK$'000
Balance at 1 January	854	1,717
Decrease in contract liabilities as a result of recognising revenue during the year (Note 6(a))	(827)	(1,750)
Increase in contract liabilities as a result of increase in deposits received in advance from customers	1,195	918
Exchange differences	4	(31)
Balance at 31 December	1,226	854

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

22. LEASE LIABILITIES

The present value of future lease payments are analysed as:

	2023	2022
	HK$'000	HK$'000
Balance as at 1 January	24,095	25,559
Acquired through business combination (Note 30)	–	4,097
Additions	1,720	22,560
Lease modification	11,245	(7,098)
Interest expense	1,289	1,079
Lease payments	(19,483)	(17,970)
Exchange differences	(307)	(4,132)
Balance as at 31 December	18,559	24,095
Represented by:		
Current liabilities	14,914	14,192
Non-current liabilities	3,645	9,903
	18,559	24,095

Future lease payments are due as follows:

	Minimum lease payments 2023	Interest 2023	Present value 2023
	HK$'000	HK$'000	HK$'000
Due within one year	15,460	546	14,914
Due more than one year but not exceeding two years	2,332	108	2,224
Due in the third to fifth years	1,500	79	1,421
	19,292	733	18,559

	2022	2022	2022
	HK$'000	HK$'000	HK$'000
Due within one year	14,984	792	14,192
Due more than one year but not exceeding two years	7,487	259	7,228
Due in the third to fifth years	2,748	73	2,675
	25,219	1,124	24,095

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 Level 3 HK$'000	2022 Level 3 HK$'000
Financial assets at fair value through profit or loss:		
Unlisted convertible note	–	–

On 24 May 2022, the Group entered into a subscription agreement to subscribe the convertible note of Ovato at a consideration of AUD2,500,000 (equivalent to approximately HK$13,875,000). The subscription was completed on 17 June 2022. In the opinion of the directors of the Company, the subscription of convertible note has no connection with the business acquisition of Ovato's printing business as stated in Note 30 on 24 May 2022, on the basis that the subscription was for the purpose of providing an opportunity for the Group to acquire equity interest in Ovato. This was considered beneficial to the Group. The principal activity of Ovato is commercial printing, catalogue printing, magazine and newspaper printing and packing printing. Details of the key contractual terms on the subscription agreement are set out below.

Principle amount	AUD2,500,000
Issue date	17 June 2022
Maturity date	25 November 2023
Coupon rate	0%
Conversion Period	From 17 June 2022 to 25 November 2023
Conversion Price	AUD0.14 per share, which subject to adjustment

The convertible note has been recognised as financial assets mandatorily measured at fair value through profit or loss at the initial recognition.

On 19 September 2022, the Group entered into an agreement with Ovato to split the convertible note to principle amount of AUD2,000,000 ("Convertible Note A") and AUD500,000 ("Convertible Note B") (the "Convertible Note Split"), subsequently, the Group disposed the Convertible Note A amount of AUD2,000,000 (equivalent to approximately HK$9,900,000) to Mr. Lau Chuk Kin (the "Convertible Note Disposal"), the director of the Company, for a consideration of AUD2,000,000 (equivalent to approximately HK$9,900,000) and settled in cash. Upon the date of the Convertible Note Disposal, the carrying amount of the Convertible Note A was to be derecognised at the fair value as at the date of disposal.

In light of Ovato's ongoing insolvency proceedings, the Convertible Note B has been derecognised on 25 November 2023 without any conversion taking place. A fair value loss of HK$2,635,000 on the Convertible Note was recognised in the profit or loss for the year ended 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

24. PROVISIONS

	2023	2022
	HK$'000	HK$'000
Current		
Employee benefit liabilities for annual leave and time in lieu	12,992	13,534
Employee benefit liabilities for long service leave (Note (i))	15,163	16,749
Provision for leasehold dilapidations (Note (ii))	1,066	1,043
	29,221	31,326
Non-current		
Employee benefit liabilities for long service leave (Note (i))	1,809	1,382
Provision for leasehold dilapidations (Note (ii))	1,360	1,331
	3,169	2,713
	32,390	34,039

Notes:

(i) 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. The amount is classified as current, since the Group does not have an unconditional right to defer settlement.

(ii) Leasehold dilapidations relate to the estimated cost of reinstatement 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.

25. SHARE CAPITAL

	2023		2022	
	Number of shares	Amount	Number of shares	Amount
		HK$'000		HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	10,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At 1 January and 31 December	498,671,823	4,987	498,671,823	4,987

During the year ended 31 December 2023 and 2022, no ordinary shares were repurchased.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

26. RESERVES

Group

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 46 to page 47. 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) Contributed surplus

The contributed surplus represents the difference between the costs of investment in subsidiaries acquired pursuant to the 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.

(c) Merger reserve

This represents the difference between the par value of the shares of the Company issued in exchange for the entire share capital of Left Field Printing Group Limited pursuant to the completion of the Reorganisation on 8 October 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

26. RESERVES (Continued)

Group (Continued)

(d) Foreign currency translation reserve

The foreign currency translation reserve comprised all foreign currency differences arising from the retranslation on consolidation of the financial statements of the group companies, which do not have a HK$ presentation currency.

Company

Movement in the Company's reserves is as follows:

	HK$'000
Balance at 1 January 2022	268,133
Profit for the year	11,517
2021 final dividend paid	(14,960)
Currency translation	(14,890)
Balance at 31 December 2022 and 1 January 2023	249,800
Profit for the year	17,997
Currency translation	(752)
Balance at 31 December 2023	267,045

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

27. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2023	2022
		HK$'000	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries		177,868	158,102
Current assets			
Other receivables and prepayment		179	330
Amounts due from subsidiaries		102,439	87,370
Cash and cash equivalents		1,814	19,576
		104,432	107,276
Current liabilities			
Amount due to a subsidiary		10,182	10,240
Other payables		86	351
		10,268	10,591
Net current assets		94,164	96,685
Net assets		272,032	254,787
EQUITY			
Share capital	25	4,987	4,987
Reserves	26	267,045	249,800
Total equity		272,032	254,787

On behalf of the directors

Richard Francis Celarc
Director

Lau Chuk Kin
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

28. CAPITAL COMMITMENTS

As at 31 December 2023, the Group had the following capital commitments:

	2023	2022
	HK$'000	HK$'000
Contracted, but not provided for acquisition of property, plant and equipment	770	11,863

29. PERFORMANCE BOND

As at 31 December 2023, there is an obligation of the Group under commercial agreement amounting to HK$524,000 (2022: HK$527,000). There have been no claims from the agreements in both years.

No security was required for this performance bond (2022: nil).

30. BUSINESS COMBINATION

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

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

	HK$'000
Property, plant and equipment	2,813
Right-of-use assets	4,097
Inventories	20,399
Trade and other receivables	33,520
Deferred tax asset	2,853
Trade and other payables	(13,386)
Lease liabilities	(4,097)
Provisions	(9,857)
Fair value of net assets acquired	36,342
Consideration	
– Cash consideration paid during the year	47,175
– Deferral consideration	2,198
Goodwill (Note 16)	13,031

The fair value of trade and other receivables acquired as of the acquisition date amounted to HK$33,520,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

30. BUSINESS COMBINATION (Continued)

Goodwill of HK$13,031,000, which is not deductible for tax purposes, mainly represented the value of expected synergies arising from the combination of the Acquired Business with the existing operations of the Group.

Since the acquisition date to 31 December 2022, the Acquired Business contributed HK$102,322,000 to revenue and a loss of HK$7,246,000 to the Group. If the acquisition had occurred on 1 January 2022, the Group's revenue and profit after income tax would have been HK$585,046,000 and HK$7,942,000 respectively for the year ended 31 December 2022.

In 2022, the acquisition-related costs of HK$3,741,000 arose as a result of the transaction. These had been recognised as part of administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

31. RELATED PARTY TRANSACTIONS AND BALANCES

(a) During the year, the Group entered into the following transactions with related parties:

Person/Entity	Relationship with the Group	Nature of transactions	2023
			HK$'000
D.M.R.A. Property Pty Ltd	Common director	Rent	4,218
Angrich Pty Ltd	Common director	Consulting fees	1,482
Asia Pacific Offset Limited	Fellow subsidiary	Sales	11
Huizhou Huixing Printing Limited	Fellow subsidiary	Purchase of PPE	1,952

Person/Entity	Relationship with the Group	Nature of transactions	2022
			HK$'000
C.O.S. Printers Pte Limited	Fellow subsidiary	Purchase of PPE	2,473
D.M.R.A Property Pty Ltd	Common director	Rent	3,872
Angrich Pty Ltd	Common director	Consulting fees	1,294
1010 Printing International Limited	Fellow subsidiary	Outwork Sales	263 145
Mr. Lau Chuk Kin	Director & shareholder	Disposal of Convertible Bond*	9,900

* During the year 2022, the Company entered into an agreement with Mr. Lau Chuk Kin, a substantial shareholder of the Group. The Company agreed to dispose the Convertible Note A at consideration of AUD2,000,000 (equivalent to approximately HK$9,900,000) to Mr. Lau. The directors were of the opinion that the consideration of the Convertible Note A was fair and reasonable and the Convertible Note Disposal was on normal commercial terms.

(b) Compensation of key management personnel

The key management personnel of the Group are the directors of the Company. The 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 9(a) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of company	Date of incorporation	Principal country of operation/Country of incorporation/ establishment and type of legal entity	Class of shares	Issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company ^	Principal activities
OPUS Group Pty. Ltd. ^	7 June 1983	Australia, limited liability company	Ordinary	AUD36,923,405	100%	Investment holding
OPUS Group (Australia) Pty Ltd	23 May 2007	Australia, limited liability company	Ordinary	AUD700,000	100%	Investment holding
OPUS Book Printing Group Holdings Pty Ltd (formerly known as: CanPrint Holdings Pty Ltd)	4 December 2008	Australia, limited liability company	Ordinary	AUD8,183,577	100%	Investment holding
Union Offset Co Pty Ltd	24 August 1967	Australia, limited liability company	Ordinary	AUD120,000	100%	Production of government printed matters and catalogues, operating manuals and promotions leaflets
CanPrint Communications Pty Limited	4 September 1997	Australia, limited liability company	Ordinary	AUD17,333	100%	Production of government printed matters and catalogues, operating manuals and promotions leaflets
Ligare Pty Limited	17 September 1979	Australia, limited liability company	Ordinary	AUD4	100%	Production of education books and catalogues, operating manuals and promotions leaflets
McPherson's Printing Pty Limited	1 November 1971	Australia, limited liability company	Ordinary	AUD10,000	100%	Production of read-for-pleasure books and catalogues, operating manuals and promotions leaflets
Griffin Press Printing Pty Ltd (formerly known as Integrated Print and Logistics Management Pty Ltd)	5 February 1999	Australia, limited liability company	Ordinary	AUD2,300	100%	Production of read-for-pleasure books and catalogues, operating manuals and promotions leaflets

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

Note:

^ Except OPUS which is directly held by the Company, all subsidiaries are indirectly held by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

33. NOTES SUPPORTING STATEMENT OF CASH FLOWS

In 2023, the Group entered into four new leases agreement (2022: eight) for the use of leased properties and equipment for 5 year (2022: 1 to 5 year). On the commencement of the leases, HK$1,720,000 (2022: HK$22,560,000) was recognised as right-of-use assets and lease liabilities respectively.

Reconciliation of liabilities arising from financing activities:

	Lease liabilities (Note 22)
	HK$'000
At 1 January 2022	25,559
Changes from cash flows:	
Acquired from business combination	4,097
Capital element of lease liabilities paid	(16,891)
Interest element of lease liabilities paid	(1,079)
Total changes from financing cash flows	(13,873)
Other changes:	
New lease entered	22,560
Finance charges on obligations under lease liabilities (Note 7)	1,079
Lease modification	(7,098)
Exchange differences	(4,132)
	12,409
At 31 December 2022 and 1 January 2023	24,095
Changes from cash flows:	
Capital element of lease liabilities paid	(18,194)
Interest element of lease liabilities paid	(1,289)
Total changes from financing cash flows	(19,483)
Other changes:	
New lease entered	1,720
Finance charges on obligations under lease liabilities (Note 7)	1,289
Lease modification	11,245
Exchange differences	(307)
	13,947
At 31 December 2023	18,559

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

34. FINANCIAL RISK MANAGEMENT

The Group is exposed through its operations to financial risks such as foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ageing analysis for credit risk.

(a) Foreign exchange risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currencies applicable to each entity. The currencies in which transactions are primarily denominated are Australian Dollars ("AUD"), New Zealand Dollars ("NZD"), US Dollars ("USD"), European Union Euros ("Euro"), Great British Pound ("GBP") and Hong Kong Dollars ("HK$"). Management evaluates their foreign currency risk using cash flow forecasts with the objective of keeping its exposure to a minimum. The Group may in certain circumstances use forward exchange contracts to hedge its foreign currency risk. When used, the contracts would normally have maturities of less than one year at inception date. The Group does not hold or issue financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	2023	2022
	HK$'000	HK$'000
Assets		
HK$	722	1,112
USD	306	216
GBP	7,378	19,346
	8,406	20,674
Liabilities		
HK$	84	353
USD	37	854
EUR	58	–
	179	1,207

Sensitivity Analysis

Based on this exposure above, had the Australian dollar weakened by 10%/strengthened by 5% against these foreign currencies with all other variables held constant, the Group's profit before income tax for the year ended 31 December 2023 and retained earnings as at 31 December 2023 would have been HK$807,000 higher/HK$419,000 lower (2022: HK$2,082,000 higher/HK$864,000 lower) as at 31 December 2023. The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

34. FINANCIAL RISK MANAGEMENT (Continued)

(b) Interest rate risk

Interest rate risk arises both where payments of floating interest are made and where the Group has fixed interest rate borrowings compared to the market. The Group monitors the current market rates and evaluates on an ongoing basis whether to borrow at fixed or floating rates with the objective of minimising interest payable.

The Group's main interest rate risk arises from cash at bank. Cash at bank at variable rates expose the Group to interest rate risk. Finance leases issued at fixed rates expose the Group to fair value risk. As at each of the reporting period, the Group has no interest bearing liabilities issued at floating rate.

Sensitivity Analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on Group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates will have an impact on profit or loss. At 31 December 2023, it is estimated that an increase of one percentage point in interest rates would increase Group's profit before income tax for the year by approximately HK$861,000 (2022: HK$484,000).

(c) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, trade receivables and other receivables and deposits. 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, 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 54% (2022: 48%) of total revenue during the year ended 31 December 2023. In this regard, the Group's trade 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 since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

For other receivables and deposits, 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 of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits, except one individual debtor was identified as irrecoverable and written off during the year. Other than the irrecoverable debt with ECL allowance measured at lifetime ECL with credit impaired, the Group measures loss allowances for other receivables and deposits at an amount equal to 12-month ECLs. No significant change to estimation techniques or assumptions was made during the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk (Continued)

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The ECL on trade receivables is estimated using a provision matrix by 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.

The Group recognised lifetime ECLs for trade receivables based on individually significant customer or the ageing of customers collectively that are not individually significant as follows:

	Weighted average lifetime expected credit loss	Gross carrying amount	Lifetime expected credit loss	Net carrying amount	Credit-impaired
		HK$'000	HK$'000	HK$'000	
2023					
Collective assessment					
Not past due	0.1%	90,396	90	90,306	No
Past due:					
1 – 30 days	0.5%	10,680	53	10,627	No
31 – 60 days	1%	1,317	13	1,304	No
61 – 90 days	1%	71	1	70	No
Over 90 days	2%	340	7	333	Yes
		102,804	164	102,640	
Individual assessment	100%	24	24	–	Yes
		102,828	188	102,640	
2022					
Collective assessment					
Not past due	0.1%	100,000	108	99,892	No
Past due:					
1 – 30 days	0.5%	12,446	62	12,384	No
31 – 60 days	1%	1,968	20	1,948	No
61 – 90 days	1%	1,253	13	1,240	No
Over 90 days	2%	4,584	91	4,493	Yes
		120,251	294	119,957	
Individual assessment	100%	20	20	–	Yes
		120,271	314	119,957	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk (Continued)

The following table shows the movements in lifetime ECL that has been recognised for trade receivables under simplified approach.

	Lifetime ECL (not credit-impaired)		Lifetime ECL (credit-impaired)		Total	
	2023	2022	2023	2022	2023	2022
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January	294	92	20	20	314	112
Impairment losses recognised	114	336	4	–	118	336
Impairment losses recovered	(238)	(79)	–	–	(238)	(79)
Exchange differences	(6)	(55)	–	–	(6)	(55)
At 31 December	164	294	24	20	188	314

Changes in the loss allowance for trade receivables are mainly due to:

	2023 Increase/(Decrease) in lifetime ECL		2022 Increase/(Decrease) in lifetime ECL	
	Not credit-impaired	Credit-impaired	Not credit-impaired	Credit-impaired
	HK$'000	HK$'000	HK$'000	HK$'000
Settlement in full of trade debtors with a gross carrying amount of HK$120,145,000 (2022: HK$63,665,000)	(238)	–	(79)	–
New trade receivables with gross carrying amount of HK$102,697,000 (2022: HK$115,687,000)	113	–	336	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

34. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis using cash flow forecasting. In general, the Group generates sufficient cash flows from its operating activities and holds and retains cash to meet its obligations arising from its financial liabilities.

The following table sets out the contractual cash flows for all financial liabilities at the reporting date:

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 5 years HK$'000
2023				
Non-derivative financial liabilities				
Trade and other payables	38,594	38,594	38,594	–
Lease liabilities	18,559	19,292	15,460	3,832
	57,153	57,886	54,054	3,832
2022				
Non-derivative financial liabilities				
Trade and other payables	45,903	45,903	45,903	–
Lease liabilities	24,095	25,219	14,984	10,235
	69,998	71,122	60,887	10,235

(e) Fair values

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

35. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The following table shows the carrying amount of the Group's financial assets and liabilities:

	2023	2022
	HK$'000	HK$'000
Financial assets		
Financial assets measure at fair value through profit or loss		
– Unlisted convertible note	–	–
Financial assets measured at amortised cost		
– Trade receivables	102,640	119,957
– Other receivables	1,684	992
– Deposits	763	1,631
– Cash and cash equivalents	85,514	48,349
	190,601	170,929
Financial Liabilities		
Financial liabilities measured at amortised cost		
– Trade payables	13,266	25,226
– Other payables	25,328	20,677
	38,594	45,903
Lease liabilities	18,559	24,095
	57,153	69,998

(a) Financial instruments not measured at fair value

Due to the short-term nature, the carrying value of cash and cash equivalents, trade receivables, other receivables and deposits, trade and other payables and lease liabilities approximates their respective fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

(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.

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).

	2022			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at fair value through profit or loss				
Unlisted convertible note	–	–	–	–
Net fair values	–	–	–	–

The fair values of the unlisted convertible note in Level 3 is denominated in AUD. Fair value of unlisted convertible note included in level 3 has been determined based on fair values of underlying investments determined by the directors of the Company with reference to the valuation performed by independent professional valuer.

The following table gives information about how the fair value of the financial assets are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

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

Financial items	Fair value at		Fair value hierarchy	Basis of fair value measurement/ valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2023	2022				
	HK$'000	HK$'000				
Unlisted convertible note	-	-	Level 3	Binomial Option Pricing Model	Volatility	The higher the positive volatility, the higher the fair value and vice versa

There were no transfers between levels during the year.

The movement of the convertible note during the year are as follows:

	2023	2022
	HK$'000	HK$'000
Balance as at 1 January	–	–
Addition	–	13,875
Disposal	–	(9,900)
Fair value changes	–	(2,635)
Exchange differences	–	(1,340)
Balance as at 31 December	–	–

36. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital employed includes share capital, reserves and lease liabilities.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group is not subject to any externally imposed capital requirements.

The allocation of capital between its specific business segments' operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific business segment operations and activities is undertaken independently of those responsible for the operation.

The Group's policies in respect of capital management and allocation are reviewed regularly by the directors and did not change during the year.

The amount of capital employed as at 31 December 2023 amounted to approximately HK$306,112,000 (2022: HK$278,882,000).

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 is set out below:

	Financial year ended 31 December				
	2019	2020	2021	2022	2023
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Restated)				
Revenue	406,654	329,947	387,267	505,361	558,038
Profit before income tax	45,973	40,679	26,865	17,714	47,127
Income tax expense	(13,826)	(12,621)	(8,514)	(6,490)	(13,794)
Profit for the year	32,147	28,058	18,351	11,224	33,333
Attributable to:					
Owners of the Company	32,147	28,058	18,351	11,224	33,333

	As at 31 December				
	2019	2020	2021	2022	2023
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Restated)				
ASSETS AND LIABILITIES					
Total assets	363,629	394,708	360,317	374,126	402,807
Total liabilities	91,099	99,656	87,197	119,339	115,254
Total equity	272,530	295,052	273,120	254,787	287,553

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Richard Francis Celarc *(Chairman)*
Mr. Lau Chuk Kin
Ms. Tang Tsz Ying

Non-Executive Director

Mr. Paul Antony Young

Independent Non-Executive Directors

Mr. Ho Tai Wai David
Mr. Tsui King Chung David
Mr. Lai Wing Hong Joseph

COMPANY SECRETARY

Ms. Tang Tsz Ying *HKICPA, ICAA (Australia)*

AUTHORISED REPRESENTATIVES

Mr. Lau Chuk Kin
Ms. Tang Tsz Ying

BERMUDA RESIDENT REPRESENTATIVE

Conyers Corporate Services (Bermuda) Limited

AUDIT COMMITTEE

Mr. Ho Tai Wai David *(Chairman)*
Mr. Paul Antony Young
Mr. Tsui King Chung David
Mr. Lai Wing Hong Joseph

NOMINATION COMMITTEE

Mr. Richard Francis Celarc *(Chairman)*
Mr. Ho Tai Wai David
Mr. Tsui King Chung David
Mr. Lai Wing Hong Joseph

REMUNERATION COMMITTEE

Mr. Tsui King Chung David *(Chairman)*
Mr. Lau Chuk Kin
Mr. Ho Tai Wai David
Mr. Lai Wing Hong Joseph

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Hong Kong Branch Registrar

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