

INTERIM REPORT 2020





CONTENTS

Management Discussion and Analysis	02
Business Review	02
Prospects	02
Financial Review	02
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	08
Condensed Consolidated Statement of Financial Position	09
Condensed Consolidated Statement of Changes in Equity	10
Condensed Consolidated Statement of Cash Flows	12
Notes to the Condensed Consolidated Interim Financial Statements	14
Other Information	27
Corporate Information	31

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Left Field Printing Group Limited (the “Company”, together with its subsidiaries, the “Group”) is an investment holding company while its subsidiaries are principally engaged in the provision of printing solutions and services in Australia.

In the first six months of 2020, the Company continued to operate with a hands-on approach and focused on consolidating costs at each of its subsidiaries. The unsuccessful renewal of a read-for-pleasure contract from 2020 and depressed government spending contributed to a subdued first quarter for the Company, and the dampening trend continued in the second quarter as Coronavirus Disease 2019 (“COVID-19”) related government restrictions came into force in Australia.

With these unpredictable and challenging conditions, our revenue for the six months ended 30 June 2020 dropped approximately 34.8% compared to the prior period, finishing at approximately HKD137.5 million. Direct operating costs decreased by approximately 26.4% to approximately HKD118.0 million as a result of lower consumption of materials and savings realised in reduced direct labour costs.

Earnings before tax declined by approximately 50.1% as compared to the prior period to approximately HKD12.4 million for the six months ended 30 June 2020, with the Australian government’s JobKeeper subsidy contributing approximately HKD12.5 million in other income for the second quarter.

PROSPECTS

Looking to the second half of 2020, the management team holds conservative expectations on revenue given the uncertainty of ongoing COVID-19 related impacts on the domestic economy. There is some indication from the read-for-pleasure book market that the second half of 2020 could benefit from the pent-up-demand building due to retail restrictions in the first half of 2020 and local manufacturing is also starting to see support gaining for industry calls to both government and consumers to buy Australian made products.

For the Company, we will continue to balance our operations against business conditions and the management team is quietly confident that our frontline, hands-on approach will steer our businesses steadily in the second half of 2020.

FINANCIAL REVIEW

Revenue

Revenue for the six months ended 30 June 2020 was approximately HKD137.5 million, representing a drop of approximately 34.8% from that for the prior period (six months ended 30 June 2019: approximately HKD210.8 million). The decrease in revenue was driven by a number of the Group’s customers have reduced their printing orders as a result of the depressed government spending contributed to a subdued first quarter for the Group and the dampening trend continued in the second quarter as COVID-19 related government restrictions came into force in Australia. On top of COVID-19 impact, one of the Group’s top five customer has decided not to renew its contract with the Group with effective from 2020.

FINANCIAL REVIEW – continued

Gross profit and gross profit margin

Our gross profit decreased by approximately HKD31.0 million, or approximately 61.4%, from approximately HKD50.5 million for the six months ended 30 June 2019 to approximately HKD19.5 million for the six months ended 30 June 2020. Gross profit margin dropped by approximately 9.8% in comparison of the same period last year. Such drop was mainly due to reduction of revenue as well as the fixed direct and indirect costs are difficult to alter in the short term.

Other income

Other income significantly increased from approximately HKD5.0 million for the six months ended 30 June 2019 to approximately HKD17.8 million for the six months ended 30 June 2020. It was attributable to approximately HKD12.5 million government subsidy from the JobKeeper Payment Scheme offered by the Australian Government which is a temporary subsidy for businesses significantly affected by COVID-19.

Selling and distribution costs

Selling and distribution costs decreased by approximately HKD3.9 million or 27.1% from approximately HKD14.3 million for the six months ended 30 June 2019 to approximately HKD10.4 million for the six months ended 30 June 2020. The decrease was greatly in line with the reduction in revenue during the period.

Administrative expenses

Administrative expenses dropped approximately HKD2.4 million from approximately HKD16.1 million for the six months ended 30 June 2019 to approximately HKD13.7 million for the six months ended 30 June 2020, representing a period-on-period decrease of approximately 15.0%. Various administrative expenses were reduced in the light of the implementation of cost control measures but partially offset by the industrial trend of increasing in insurance premium charges.

Income tax expense

Income tax expense decreased from approximately HKD7.1 million (effective income tax rate: 28.6%) for the six months ended 30 June 2019 to approximately HKD3.4 million (effective income tax rate: 27.0%) for the six months ended 30 June 2020. Such decrease was consistent with the reduction in taxable income during the period.

Net profit

During the current period, the Group reported a net profit of approximately HKD9.1million (six months ended 30 June 2019: approximately HKD17.8 million), which represented a drop of approximately HKD8.7 million or 49.0%. The profitability of the Group was significantly impacted by COVID-19 when the government agencies and publishers have reduced their printing orders. The Group's management has taken proactive measures to mitigate the Group's operational risk, enhance operational efficiency and reduce costs. The Group received considerable financial support from the Australian government's JobKeeper Payment Scheme, which has cushioned the impact of COVID-19 on the business.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW – continued

Liquidity and financial resources

As at 30 June 2020, the Group had net current assets of approximately HKD193.0 million (31 December 2019: approximately HKD209.9 million), among which, cash and bank balances together with the pledged deposit, were approximately HKD147.3 million in aggregate (31 December 2019: approximately HKD169.0 million) which were denominated in Australian Dollars (“AUD”), New Zealand Dollars (“NZD”), US Dollars (“USD”) and Hong Kong Dollars (“HKD”).

The Group’s current ratio was approximately 4.6 times (31 December 2019: approximately 4.2 times). The only interest bearing liabilities were lease liabilities of approximately HKD31.9 million (31 December 2019: approximately HKD28.7 million) which were denominated in AUD. The Group’s gearing ratio as at 30 June 2020 was approximately 12.9% (31 December 2019: approximately 10.5%), which is calculated on the basis of the Group’s total interest-bearing debts over total equity. The increase of the Group’s interest-bearing liabilities, hence the gearing ratio, was mainly due to the renewal of a property lease during the period. 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 and its relationship with its bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in both 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 investors, creditors 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, NZD, USD, European Union Euros and HKD. As at 30 June 2020 and 31 December 2019, foreign exchange risks on financial assets and liabilities denominated in other currencies were insignificant to the Group.

FINANCIAL REVIEW – continued

Foreign currency management – continued

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 period, the Group acquired property, plant and equipment at approximately HKD0.7 million (30 June 2019: approximately HKD4.9 million). The purchases during the period were financed by internal resources of the Group, including the Net Proceeds from the Share Offer (as defined in the paragraph headed "Use of proceeds" below).

Material acquisitions and disposals

There were no material acquisitions and disposals of subsidiaries, associates and joint venture in the course during the period.

Capital Commitments and contingent liabilities

As at 30 June 2020, the Group had approximately HKD1.5 million capital commitment contracted but not provided for in respect of the acquisition of property, plant and equipment (31 December 2019: Nil).

The Group did not have any significant contingent liabilities as at 30 June 2020 (31 December 2019: Nil).

Charge of assets

As at 30 June 2020, the pledged deposit of approximately HKD5.5 million (31 December 2019: approximately HKD5.7 million) was pledged to banking facilities of HKD4.3 million (31 December 2019: HKD4.4 million).

Use of proceeds

On 8 October 2018 (the "Listing Date"), the Company's issued shares were listed on the Main Board of the Hong Kong Stock Exchange. A total of 105,000,000 shares with nominal value of HKD0.01 each were issued to the public and placed at the final offer price of HKD1.00 per share for total gross proceeds of HKD105.0 million (the "Share Offer"). The total net proceeds raised from the Share Offer (the "Net Proceeds") were approximately HKD66.5 million after the deduction of related listing expenses.

With reference to the Company's prospectus dated 20 September 2018 (the "Prospectus") and in light of the difference between the actual amount of the Net Proceeds and estimated amount of the Net Proceeds as stated in the Prospectus (which was disclosed based on an offer price of HKD1.05 per share, being the mid-point of the then indicative offer price range of HKD1.00 to HKD1.10 per share, net of the estimated listing expenses), the Group has adjusted the intended use of the actual amount of the Net Proceeds in the same manner and in the same proportion as disclosed in the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW – continued

Use of proceeds – continued

Up to the date of this report, the amount of the Net Proceeds which has been utilised amounted to approximately HKD37.9 million, including:

- approximately HKD9.0 million has been utilised to purchase three digital printing presses, two binding machines and one pre-press machine to replace certain existing machines;
- approximately HKD7.8 million has been utilised to purchase two binding machines to expand capacity;
- approximately HKD13.5 million has been utilised for upgrading the ERP and IPALM system, of which approximately HKD1.8 million and HKD11.7 million was utilised to purchase equipment, such as server, and development and purchase of software, respectively;
- approximately HKD0.9 million has been utilised for enhancing of the existing warehousing facilities; and
- approximately HKD6.7 million has been utilised as general working capital of the Group.

Set out below are details of the original allocation of the Net Proceeds as disclosed in the Prospectus, the revised allocation based on the actual Net Proceeds (after the adjustment as mentioned above), the utilised and unutilised amount of the Net Proceeds as at the date of this report:

	Allocation percentage	Original allocation of Net Proceeds as disclosed in the Prospectus Approximate HKD million	Revised allocation based on the actual Net Proceeds Approximate HKD million	Amount utilised as at the date of this report Approximate HKD million	Unutilised Net Proceeds as at the date of this report Approximate HKD million
Purchasing machinery	57.2%	41.9	38.0	16.8	21.2
Upgrading ERP system and IPALM platform	24.1%	17.7	16.0	13.5	2.5
Expansion of the warehousing facilities and/ or streamlining the printing facilities	8.7%	6.4	5.8	0.9	4.9
General working capital of the Group	10.0%	7.3	6.7	6.7	-
	100.0%	73.3	66.5	37.9	28.6

During the six months ended 30 June 2020, the Group has purchased one digital printing press to expand its production capacity for enhancing print-on-demand services. The purchase of the remaining digital printing press will be further delayed in the light of the reduced printing demand of the impact of COVID-19. The Company would adopt a more conservative approach and tighten the cash flow during the challenge time.

The Group has commenced the upgrade of the ERP system and IPALM platform since the Listing Date in order to improve their general functionality of production and operations as well as enhancing product offerings to the customers. As at the date of this report, the process of such upgrade is still ongoing and the Group expects that the unutilised proceeds in this regard will be applied no later than end of 2020.

FINANCIAL REVIEW – continued

Use of proceeds – continued

Furthermore, the Group's plan of expanding of its warehousing facilities and/or streamlining of its printing facilities has been delayed in the view of the challenging economic conditions, the reduction of printing demand from various government agencies and read-for-pleasure book publishers coupled with the unsuccessful contract renewal of one of the Group's top five customer as mentioned in the paragraph headed "BUSINESS REVIEW" of this Management Discussion and Analysis. To the practicable extent which is in the best interests of the Group, the Directors are in the progress of seeking the best use of the remaining Net Proceeds in accordance with the uses as stated in the Prospectus which would maximise shareholders' return. The Company will update the shareholders regarding the use of proceeds as and when appropriate in accordance to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

Events subsequent to the end of financial period

From the end of the reporting period to the date of this interim report, the Company had repurchased and cancelled 8,238,000 shares at costs approximately HKD3.3 million. Save as disclosed above, the Company has no other significant events after the reporting period.

The board (the "Board") of directors (the "Directors") of Left Field Printing Group Limited (the "Company") presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2020 together with the comparative unaudited figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	(Unaudited) Six months ended 30 June	
		2020	2019
		HKD'000	HKD'000 (Restated)
Revenue	3	137,495	210,776
Direct operating costs		(117,994)	(160,239)
Gross profit		19,501	50,537
Other income	5	17,788	4,951
Selling and distribution costs		(10,403)	(14,262)
Administrative expenses		(13,722)	(16,138)
Finance costs	4	(746)	(207)
Profit before income tax	6	12,418	24,881
Income tax expense	7	(3,350)	(7,117)
Profit for the period		9,068	17,764
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		(9,779)	(8,145)
Other comprehensive income for the period, net of tax		(9,779)	(8,145)
Total comprehensive income for the period		(711)	9,619
Profit for the period attributable to:			
Owners of the Company		9,068	17,764
Total comprehensive income attributable to:			
Owners of the Company		(711)	9,619
Earnings per share for profit attributable to owners of the Company during the period	8	HKD	HKD
Basic and diluted		1.8 cents	3.5 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	(Unaudited) At 30 June 2020	(Audited) At 31 December 2019
		HKD'000	HKD'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	38,608	44,368
Right-of-use assets	10	30,730	27,817
Deferred tax assets		14,528	16,660
Deposits paid for acquisition of property, plant and equipment		1,328	–
		85,194	88,845
Current assets			
Inventories		41,050	49,356
Trade receivables	12	46,820	51,710
Other receivables, deposits and prepayments	12	11,061	4,698
Current tax recoverable		1,209	–
Pledged deposit	11	5,491	5,650
Cash and cash equivalents		141,773	163,370
		247,404	274,784
Current liabilities			
Trade and other payables	13	27,504	28,867
Lease liabilities	14	8,686	9,610
Provisions		18,173	21,977
Current tax liabilities		–	4,471
		54,363	64,925
Net current assets		193,041	209,859
Total assets less current liabilities		278,235	298,704
Non-current liabilities			
Lease liabilities	14	23,206	19,094
Provisions		3,820	1,831
Deferred tax liabilities		4,735	5,249
		31,761	26,174
Net assets		246,474	272,530
EQUITY			
Share capital	15	5,069	5,069
Reserves		241,405	267,461
Total equity		246,474	272,530

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital	Share premium	Contributed surplus	Merger reserve	Foreign currency translation reserve	Proposed final dividend	Retained earnings	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Balance at 1 January 2020 (Audited) (Restated)	5,069	93,207	183,655	(42,177)	(7,072)	25,345	14,503	272,530
Profit for the period	-	-	-	-	-	-	9,068	9,068
Other comprehensive income, net of tax	-	-	-	-	(9,779)	-	-	(9,779)
Total comprehensive income for the period	-	-	-	-	(9,779)	-	9,068	(711)
Transaction with owners in their capacity as owners								
Dividends (Note 18)	-	-	-	-	-	(25,345)	-	(25,345)
Total transaction with owners	-	-	-	-	-	(25,345)	-	(25,345)
Balance at 30 June 2020 (Unaudited)	5,069	93,207	183,655	(42,177)	(16,851)	-	23,571	246,474

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – continued

For the six months ended 30 June 2020

	Share capital	Share premium	Contributed surplus	Merger reserve	Foreign currency translation reserve	Proposed final dividend	Retained earnings	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Balance at 1 January 2019 (Audited) (Restated)	5,069	93,207	183,655	(42,177)	1,278	24,654	23,168	288,854
Profit for the period	-	-	-	-	-	-	17,764	17,764
Other comprehensive income, net of tax	-	-	-	-	(8,145)	-	-	(8,145)
Total comprehensive income for the period	-	-	-	-	(8,145)	-	17,764	9,619
Transaction with owners in their capacity as owners								
Dividends (Note 18)	-	-	-	-	-	(24,654)	-	(24,654)
Total transaction with owners	-	-	-	-	-	(24,654)	-	(24,654)
Balance at 30 June 2019 (Unaudited) (Restated)	5,069	93,207	183,655	(42,177)	(6,867)	-	40,932	273,819



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	(Unaudited) Six months ended 30 June	
		2020	2019
		HKD'000	HKD'000
			(Restated)
Cash flows from operating activities			
Profit before income tax		12,418	24,881
Adjustments for:			
Depreciation of property, plant and equipment	9	4,982	5,064
Amortisation of right-of-use assets	10	5,327	4,710
(Reversal of)/Provision for impairment of trade receivables		(27)	202
Reversal of impairment of inventories		(369)	(183)
Bad debts written-off		199	-
Finance costs		746	207
Gain on disposal of property, plant and equipment		(23)	-
Net cash inflow generated from operating activities		23,253	34,881
Decrease/(increase) in inventories		7,311	(9,118)
Increase in trade and other receivables		(3,235)	(7,277)
(Decrease)/increase in trade and other payables		(553)	1,996
(Decrease)/increase in provisions		(1,175)	49
Cash generated from operations		25,601	20,531
Income taxes paid, net		(7,618)	(5,628)
Net cash generated from operating activities		17,983	14,903
Cash flows from investing activities			
Payment for purchase of property, plant and equipment		(741)	(4,924)
Deposits for acquisition of property, plant and equipment		(1,328)	-
Proceeds from disposal of property, plant and equipment		23	-
Decrease in pledged deposit		159	158
Net cash used in investing activities		(1,887)	(4,766)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – continued

For the six months ended 30 June 2020

	Notes	(Unaudited) Six months ended 30 June	
		2020	2019
		HKD'000	HKD'000
			(Restated)
Cash flows from financing activities			
Repayment of principal portion of lease liabilities		(5,000)	(4,672)
Interest paid on lease liabilities	4	(722)	(182)
Dividends paid	18	(25,345)	(24,654)
Net cash used in financing activities		(31,067)	(29,508)
Net decrease in cash and cash equivalents		(14,971)	(19,371)
Net effect of exchange fluctuations		(6,626)	(4,752)
Cash and cash equivalents at the beginning of the period		163,370	163,077
Cash and cash equivalents at the end of the period		141,773	138,954
Analysis of balances of cash and cash equivalents			
Bank balances and cash		141,773	138,954

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 26/F, 625 King’s Road, North Point, 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 30 June 2020, 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. The Company and its subsidiaries are collectively referred to as the “Group” hereafter. Major operations of the Group are carried out in Australia.

2. Summary of significant accounting policies

Basis of preparation

The Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with International Accounting Standard 34 “Interim Financial Reporting” issued by International Accounting Standard Board (the “IASB”). The condensed consolidated interim financial statements are unaudited but have been reviewed by the Company’s audit committee.

The accounting policies used in preparing the unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2019 except for the adoption of the new and revised International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards and Interpretations approved by the IASB, and all applicable individual International Accounting Standards (“IASs”) and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance which are relevant to the operations of the Group and mandatory for annual period beginning 1 January 2020. The adoption of the new and revised IFRSs had no material impact on these unaudited condensed consolidated interim financial statements of the Group for the current and prior accounting period.

2. Summary of significant accounting policies – continued

Basis of preparation – continued

The Group has not early adopted the new IFRSs that have been issued but are not yet effective. The Directors of the Company are currently assessing the impact of the new or amended IFRSs upon initial application. So far, the Directors of the Company have preliminarily concluded that the initial application of these IFRSs will not result in material financial impact on the Group's results of operations and financial position.

The functional currency of the Company is Australian Dollars ("AUD") and accordingly, the consolidated financial statements of the Group were presented in AUD in the prior years. Starting from 1 January 2020, the Group has changed its presentation currency for the preparation of its unaudited condensed consolidated interim financial statements from AUD to Hong Kong Dollars ("HKD"). The Directors of the Company considered that the change of presentation currency to HKD enables 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.

The effects of the change in the presentation currency have been accounted for retrospectively with comparative figures restated. The comparative amounts in the unaudited condensed consolidated interim financial statements are presented as if HKD had always been the presentation currency of the unaudited condensed consolidated interim financial statements.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, unless otherwise stated.

These unaudited condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to gain an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. These unaudited condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with IFRSs and should be read in conjunction with the 2019 consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – continued

3. 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.

(b) Segment revenue

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

Revenue by geographic location is not used by the Chief Operating Decision Maker in reviewing the performance of the cash generating unit. The Directors of the Company considered the cost to develop it would be excessive.

3. Segment information – continued

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

The Chief Operating Decision Maker assesses the performance of the operating segment based on a measure of EBITDA as monitored by the board of directors (“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 condensed consolidated statements of profit or loss and other comprehensive income is as follows:

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	HKD'000	HKD'000
		(Restated)
EBITDA on ordinary activities	20,073	31,992
Depreciation and amortisation	(10,309)	(9,774)
Net finance income	2,654	2,663
Profit before income tax	12,418	24,881

(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. The Chief Operating Decision Maker does not receive information about the geographical locations of the segment assets and liabilities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – continued

3. Segment information – continued

(e) Segment information

	(Unaudited)		
	Printing solutions and services	Corporate*	Total
	HKD'000	HKD'000	HKD'000
Six months ended 30 June 2020			
Total external revenue	137,495	–	137,495
Other income	14,696	347	15,043
Operating expenses [#]	(128,573)	(3,892)	(132,465)
EBITDA	23,618	(3,545)	20,073
Depreciation and amortisation	(10,230)	(79)	(10,309)
Net finance (cost)/income	(746)	3,400	2,654
Profit before income tax	12,642	(224)	12,418
Total consolidated segment results	12,642	(224)	12,418

	(Unaudited)		
	Printing solutions and services	Corporate*	Total
	HKD'000	HKD'000	HKD'000
	(Restated)	(Restated)	(Restated)
Six months ended 30 June 2019			
Total external revenue	210,776	–	210,776
Other income	2,698	9	2,707
Operating expenses [#]	(177,716)	(3,775)	(181,491)
EBITDA	35,758	(3,766)	31,992
Depreciation and amortisation	(9,702)	(72)	(9,774)
Net finance (cost)/income	(228)	2,891	2,663
Profit before income tax	25,828	(947)	24,881
Total consolidated segment results	25,828	(947)	24,881

3. Segment information – continued

(e) Segment information – continued

* 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.

4. Finance costs

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	HKD'000	HKD'000
		(Restated)
Interest on lease liabilities	722	182
Other interest expenses	24	25
	746	207

5. Other income

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	HKD'000	HKD'000
		(Restated)
Scrap recoveries	983	1,605
Reversal of impairment of trade receivables	27	–
Gain on disposal of property, plant and equipment	23	–
Insurance refunds	716	313
Interest income	412	1,050
Government subsidies	12,526	27
Other	3,101	1,956
	17,788	4,951

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – continued

6. Profit before income tax

Profit before income tax has been arrived at after charging/(crediting):

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	HKD'000	HKD'000
		(Restated)
Bad debts written-off	199	–
Reversal of impairment of inventories	(369)	(183)
(Reversal of)/Provision for impairment of trade receivables	(27)	202
Gain on disposal of property, plant and equipment	(23)	–
Exchange gains, net	(3,065)	(1,950)
Cost of inventories recognised as expenses	45,757	66,561
Depreciation of property, plant and equipment (Note 9)	4,982	5,064
Amortisation of right-of-use assets (Note 10)	5,327	4,710
Employee benefits expense		
Salaries, wages and other staff costs	47,564	61,614
Superannuation	4,019	4,849

7. Income tax expense

The amount of income tax expense charged/(credited) to the condensed consolidated statement of profit or loss and other comprehensive income represents:

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	HKD'000	HKD'000
		(Restated)
Current tax expense – Australia	2,110	5,982
Deferred tax	1,286	1,135
Over provision of previous periods	(46)	–
	3,350	7,117

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2020 and 2019. The Group's subsidiaries in Australia are subject to domestic tax rate of 30% (2019: 30%) on the estimated assessable profits.

8. Earnings per share

The calculation of the basic earnings per share is based on the following data:

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	HKD'000	HKD'000
Earnings for the purposes of basic earnings per share for the period	9,068	17,764

	Number of shares ('000)	
	2020	2019
Weighted average number of ordinary shares for the purpose of basic earnings per share	506,910	506,910

No diluted earnings per share are presented as the Group has no dilutive potential ordinary shares during the period (2019: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – continued

9. Property, plant and equipment

	Land and buildings	Plant and equipment	Office furniture and equipment	Motor vehicles	Leasehold improvements	Computer equipment	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
At 1 January 2020 (Audited) (Restated)							
Cost	14,084	246,700	2,307	1,958	8,689	16,744	290,482
Accumulated depreciation and impairment	(8,888)	(209,187)	(2,014)	(1,642)	(8,215)	(16,168)	(246,114)
Net book amount	5,196	37,513	293	316	474	576	44,368
Period ended 30 June 2020 (Unaudited)							
Opening net book amount	5,196	37,513	293	316	474	576	44,368
Exchange difference	(168)	(1,303)	(12)	1	(18)	(19)	(1,519)
Additions	–	576	17	82	–	66	741
Depreciation	(359)	(4,305)	(62)	(49)	(76)	(131)	(4,982)
Closing net book amount	4,669	32,481	236	350	380	492	38,608
At 30 June 2020 (Unaudited)							
Cost	13,689	240,372	2,260	1,738	8,446	16,249	282,754
Accumulated depreciation and impairment	(9,020)	(207,891)	(2,024)	(1,388)	(8,066)	(15,757)	(244,146)
Net book amount	4,669	32,481	236	350	380	492	38,608

At 30 June 2020 and 31 December 2019, the Group's freehold land and buildings were situated in Australia.

10. Right-of-use assets

	Leased properties	Plant and equipment	Total
	HKD'000	HKD'000	HKD'000
At 1 January 2020 (Audited) (Restated)			
Carrying amount	25,087	2,730	27,817
At 30 June 2020 (Unaudited)			
Carrying amount	28,565	2,165	30,730
For the six months ended 30 June 2020 (Unaudited)			
Amortisation charge	4,711	616	5,327

11. Pledged deposit

As at 30 June 2020, the pledged deposit was pledged to banking facilities of HKD4,264,000 (31 December 2019: HKD4,387,000 (restated)) (Note 17).

12. Trade and other receivables, deposits and prepayments

The Group generally allows a credit period from 30 to 90 days (2019: 30 to 90 days) to its trade customers. Ageing analysis of trade receivables, net of provision as at 30 June 2020, based on sales invoice date, is as follows:

	(Unaudited) At 30 June 2020	(Audited) At 31 December 2019
	HKD'000	HKD'000 (Restated)
0 – 30 days	25,372	26,810
31 – 60 days	11,694	14,612
61 – 90 days	4,494	8,171
91 – 120 days	4,817	1,864
121 – 150 days	271	216
Over 150 days	172	37
Total trade receivables	46,820	51,710
Other receivables, deposits and prepayment	11,061	4,698
	57,881	56,408

As at 30 June 2020, a provision of HKD319,000 (31 December 2019: HKD366,000 (restated)) was made against the gross amounts of trade receivables.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – continued

13. Trade and other payables

As at 30 June 2020, the ageing analysis of trade payables based on invoice date is as follows:

	(Unaudited) At 30 June 2020	(Audited) At 31 December 2019
	HKD\$'000	HKD'000 (Restated)
0 – 30 days	9,741	10,108
31 – 60 days	660	1,756
61 – 90 days	1,244	44
91 – 120 days	4	46
Over 120 days	8	101
Total trade payables	11,657	12,055
Other payables and accruals	15,847	16,812
	27,504	28,867

14. Lease liabilities

	(Unaudited) At 30 June 2020	(Audited) At 31 December 2019
	HKD\$'000	HKD'000 (Restated)
Current	8,686	9,610
Non-current	23,206	19,094
	31,892	28,704

15. Share capital

	No. of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each	10,000,000,000	100,000
Issued and fully paid:		
At 1 January 2020 and 30 June 2020	506,909,823	5,069

16. Capital commitments

As at 30 June 2020, the Group had HKD1,537,000 capital commitment contracted but not provided for in respect of the acquisition of property, plant and equipment (31 December 2019: Nil).

17. Performance Bonds

As at 30 June 2020, the obligations of the Group under commercial agreements amounted HKD2,860,000 (31 December 2019: HKD2,943,000 (restated)). These performance bonds are secured by a pledged deposit (Note 11).

18. Dividends and distribution

(a) Dividends and distribution attributable to the previous financial year, approved during the interim period:

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	HKD'000	HKD'000 (Restated)
Final dividend in respect of the year ended 31 December 2019, approved and paid during the interim period of HKD5 cents (2019: HKD5 cents) per share	25,345	24,654

(b) Dividends attributable to the interim period:

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	HKD'000	HKD'000 (Restated)
Interim dividends declared – Nil (2019: HKD3 cents) per share	–	15,207

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: HKD3 cents per share).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – continued

19. Related party transactions

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

Party	Relationship with the Group	Nature of transactions	(Unaudited)	
			Six months ended 30 June	
			2020	2019
			HKD'000	HKD'000
				(Restated)
Mr. Richard Francis Celarc	Director & shareholder	Rent and outgoings	1,793	2,041
		Consulting fees	241	–

(b) Compensation of key management personnel

The directors of the Company were considered to be key management personnel of the Group. The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	HKD'000	HKD'000
		(Restated)
Short-term remuneration	1,145	954
Post-employment benefit	66	60
	1,211	1,014

20. Fair value measurement

Fair values of financial instruments carried at other than fair value

Trade and other receivables, trade and other payables and lease liabilities are carried at cost or amortised cost which are not materially different from their fair values as at 30 June 2020 and 31 December 2019.

OTHER INFORMATION

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions set out in Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") throughout the six months ended 30 June 2020.

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

As at 30 June 2020, 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 of its associated corporations, within the meaning of Part XV of 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 of the Company (the "Shares")

Name of Directors	Beneficiary				Total Interests (Shares)	Percentage to the issued share capital of the Company (%)
	Personal Interests (Shares)	Trust Interests (Shares)	of a Trust Interests (Shares)	Corporate Interests (Shares)		
Mr. Lau Chuk Kin (Note 1)	4,085,744	Nil	Nil	313,048,997	317,134,741	62.56
Mr. Richard Francis Celarc (Note 2)	Nil	7,533,039	5,955,780	11,523,168	25,011,987	4.93
Mr. Paul Antony Young (Note 3)	Nil	Nil	Nil	2,903,967	2,903,967	0.57

Notes:

- Mr. Lau Chuk Kin ("Mr. Lau") is deemed to be interested in 317,134,741 shares through his personal interests and corporate interests. Of 313,048,997 corporate interests, 296,396,954 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 a 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 8.49% respectively. City Apex is an investment holding company and is owned as to 77.00% by ER2 Holdings. ER2 Holdings is an investment holding company and is owned as to 68.76% by Mr. Lau. By virtue of Part XV of the SFO, Mr. Lau is deemed to be interested in the said shares.
- Mr. Richard Francis Celarc ("Mr. Celarc") is deemed to be interested in 25,011,987 Shares, which comprise (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, 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.
- Mr. Paul Antony Young ("Mr. Young") is deemed to be interest in 2,903,967 Shares through Clapsy Pty Ltd, a company owned as to 50.00% and 50.00% by Mr. Young and his wife Mrs. Lorraine Young.

OTHER INFORMATION

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

(b) Long Position in the shares of Lion Rock

Name of Director	Personal Interests (Shares)	Corporate Interests (Shares)	Total Interests (Shares)	Percentage to the issued share capital of Lion Rock (%)
Mr. Lau Chuk Kin (Note)	65,371,906	266,432,717	331,804,623	43.09

Note: Of 266,432,717 shares of Lion Rock which Mr. Lau is deemed to be interested, 258,135,326 shares and 8,297,391 shares are beneficially owned by City Apex and ER2 Holdings respectively. As at 30 June 2020, ER2 Holdings was the ultimate holding company of City Apex. Mr. Lau owned 68.76% of the issued share capital of ER2 Holdings and accordingly, Mr. Lau is deemed to be interested in the said shares pursuant to Part XV of the SFO.

Save as disclosed above, as at 30 June 2020, to the best knowledge of the Company, none of the Directors or chief executives of the Company had or was deemed to have any interests and 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 the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, 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:

Name of shareholder	Nature of interest			Percentage to the issued share capital of the Company (%)
	Beneficial Owner (Shares)	Interest in controlled corporation (Shares)	Total Interests (Shares)	
ER2 Holdings (Note)	518,586	312,530,411	313,048,997	61.76
City Apex (Note)	16,133,457	296,396,954	312,530,411	61.65
Lion Rock (Note)	Nil	296,396,954	296,396,954	58.47
1010 Group (Note)	Nil	296,396,954	296,396,954	58.47
Bookbuilders BVI (Note)	296,396,954	Nil	296,396,954	58.47

Note: 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 8.49% 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.

SUBSTANTIAL SHAREHOLDERS – continued

Save as disclosed above, as at 30 June 2020, 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.

SHARE OPTION SCHEME

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

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the reporting period and at the end of the reporting period 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 executives 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding directors' securities transactions. Having made specific enquiry to all the Directors, the Company was not aware of any non-compliance with the required standard set out in the Model Code regarding securities transactions by the directors throughout the six months ended 30 June 2020.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2020, the Group had 281 full-time employees (30 June 2019: 305). 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.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (30 June 2019: HKD3 cents per share).

AUDIT COMMITTEE

The audit committee has four members comprising one non-executive director namely Mr. Paul Antony Young and the three independent non-executive directors, namely, Mr. Chan David Yik Keung, Mr. David Ho, and Mr. Tsui King Chung David with terms of reference in compliance with the Listing Rules. The audit committee reviews the Group's financial reporting, internal controls and makes relevant recommendations to the Board.

The audit committee had met with the management to review the Company's interim report for the six months ended 30 June 2020 and had the opinion that such report was compiled with the applicable accounting standards and adequate disclosures had been made.

By Order of the Board
Left Field Printing Group Limited
Richard Francis Celarc
Chairman

Hong Kong, 31 August 2020

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. Chan David Yik Keung
Mr. David Ho
Mr. Tsui King Chung David

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. David Ho (*Chairman*)
Mr. Paul Antony Young
Mr. Chan David Yik Keung
Mr. Tsui King Chung David

NOMINATION COMMITTEE

Mr. Richard Francis Celarc (*Chairman*)
Mr. Chan David Yik Keung
Mr. David Ho
Mr. Tsui King Chung David

REMUNERATION COMMITTEE

Mr. Tsui King Chung David (*Chairman*)
Mr. Lau Chuk Kin
Mr. Chan David Yik Keung
Mr. David Ho

AUDITOR

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Certified Public Accountants
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SHARE REGISTRARS AND TRANSFER OFFICES

Principal Registrar

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Hong Kong Branch Registrar

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