

A large, stylized fingerprint graphic in a dark red color, positioned on the right side of the page. The fingerprint is composed of concentric, wavy lines that form a central core, with the lines extending outwards towards the right edge of the page. The background of the page is a solid dark red color.

Interim Report 2017

LION ROCK GROUP LIMITED
獅子山集團有限公司

Stock Code: 1127



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Management Discussion and Analysis

BUSINESS REVIEW

The Group faced unprecedented challenges in the first half of 2017. In addition to margin erosion and continued labour cost increase, for the first time in the past five years, paper price has increased. Price of corrugated paper (for cartons) in the first six months increased by over 60% and coated art paper increased by 25%. In the first quarter of 2017, price of paper sold in China was lower than in Europe by US\$100 per ton. If the current trend continues, the gap in paper price between China & Europe will be negligible and adversely impact the competitive advantage enjoyed by book printers in China. Many of the book printers (including our Group) have absorbed most of the paper price increase to keep the business relationship with strategic customers. For small to medium-sized book printers in China which do not have the financial resources to absorb the cost increases, the day of reckoning can be near.

For the first half of 2017, the sales turnover of the Group suffered a 10.7% decrease versus equivalent period last year. Profit for the period declined by 6.5%. Our three major business units: 1) 1010 Printing, 2) print management group comprising Asia Pacific Offset Limited (“APOL”), Oceanic Graphic Printing (“O.G. Printing”), and the newly acquired Regent Publishing Services (“Regent Publishing”), and 3) non-China based manufacturing units in Singapore and Australia, turned in mixed results.

Margin erosion hit 1010 Printing, our traditional core business particularly hard. On many occasions, we had turned down orders which were not commercially sustainable for us. Consequently, the sales turnover for 1010 Printing in the six months ended 30 June 2017 dropped by 13%. Going forward, 1010 Printing will continue to exercise strict financial discipline to screen out orders which fall below our specified margin threshold. As a result of this strategy, the sales turnover of 1010 Printing will further decline in the near future.

For the print management units, the continued weakness of the South American market cost APOL to suffer a 26% decline in sales in the first half. However, orders have since April picked up and management is cautiously optimistic of the 2017 results. Nonetheless, the future for APOL is daunting, management is diversifying its product offerings and client mix.

Our 75% owned subsidiary, Regent Publishing, which Lion Rock Group acquired on 31 March 2017 got off to a good start and is making meaningful contribution to the Group. Under the management of its founder and 25% shareholder George Tai, Regent Publishing services small to medium-sized publishers in the US market mainly for gift items and stationery products.

The non-China based manufacturing units also had a successful first half. Our wholly owned subsidiary COS Printers (“COS”), which is based in Singapore, enjoyed a two-fold increase in net profit even though sales turnover increased marginally. Full credit to COS management for their effective cost control and improvement in operations efficiencies.

On 3 May 2017, Lion Rock increased its shareholding in its Australia listed subsidiary OPUS Group Limited (“OPUS”) to 74.7%. OPUS has enjoyed significant savings in procurements, computer systems, and scheduling efficiencies as part of the Lion Rock Group. In December 2016, McPherson’s Printing, part of OPUS, was awarded by HarperCollins Publishers a printing contract for all their mono-colour work in Australia.



PROSPECTS

In May 2017, 1010 Printing Group officially changed its corporate name to Lion Rock Group to address the confusion caused by the duplication of names of the parent company with its subsidiary. Lion Rock is an iconic landmark in Hong Kong and symbolizes the “can-do” spirit which has been the cornerstone of successful Hong Kong enterprises.

Looking ahead, Lion Rock Group will focus on cost and credit control. The American market for trade book has been soft so far. Our view is that with the increase in global interest rate forecast later in the year, small to medium-sized publishers will face credit problems which will have a boomerang effect on the suppliers. We are taking extra caution in monitoring the payment of our customers. The Lion Rock Group has a comfortable cushion of cash, which will enable us to self-finance future acquisitions, should the need arise. The board has decided to return some of the surplus cash to our shareholder by increasing the interim dividend from 2.5 cents to 3.0 cents.

FINANCIAL REVIEW

Turnover for the six months ended 30 June 2017 dropped by 11% to approximately HK\$712.8 million (2016: HK\$798.2 million). The decrease in turnover was a result of: 1) Publishers placed orders in smaller print run and requested competitive pricing; 2) Disposal of outdoor printing business in OPUS Group Limited (“OPUS”) and 3) devaluation of EURO and Pound Sterling. The decrease in turnover was mitigated by the sales contribution from Regent Publishing Services Limited, which was acquired in March 2017.

Gross profit margin decreased from 28.4% to 26.6%. The margin erosion was mainly the result of competitive sales pricing and the higher proportion of fixed manufacturing cost despite the decrease in sales volume. The effect of the decrease in margin was partly offset by the lower machine depreciation charge in first half of 2017 compared with same period in 2016. The revisit of useful lives of machineries resulted in accelerated depreciation in 2016.

Other income increased from HK\$17.2 million to HK\$23.1 million was mainly due to 1) increase in exchange gain of HK\$6.1 million; 2) gain on disposal of property, plant and equipment of HK\$2.2 million. Such increase was partly offset by the decrease in gain on financial assets at fair value through profit or loss for the period.

Selling and distribution costs decreased by 5% to approximately HK\$88.9 million (2016: HK\$93.9 million) with the selling and distribution costs to sales ratio increased from 11.8% to 12.5%. The increase was mainly due to higher staff cost compared with same period in last year.

Administrative expenses decreased from approximately HK\$63.6 million in 2016 to approximately HK\$48.5 million for the first six-month period in 2017. The decrease was due to loss on disposal of property, plant and equipment of HK\$9.9 million incurred in 2016; and the decrease in corporate expenses in OPUS due to decrease in corporate staff cost and the exclusion of overhead expenses upon disposal of outdoor media business in 2016.

Income tax expenses for the period decreased to approximately HK\$15.9 million for the six months ended 30 June 2017 was in line with the decrease in profit.

Profit attributable to owners of the Company amounted to approximately HK\$49.4 million in 2017 (2016: HK\$52.0 million), a 5% drop compared to the same period in last year.



Management Discussion and Analysis

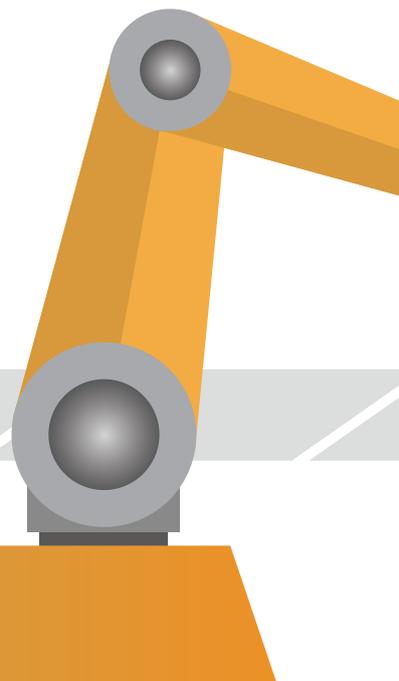
LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2017, the Group had net current assets of approximately HK\$638.5 million (31 December 2016: HK\$633.1 million) of which the cash and bank deposits were approximately HK\$444.3 million (31 December 2016: HK\$461.2 million). The Group's current ratio was approximately 2.7 (31 December 2016: 2.8).

Total bank borrowings and finance lease liabilities were HK\$84.8 million (31 December 2016: HK\$95.4 million). As at 30 June 2017, all bank borrowings were denominated in Hong Kong dollars and finance lease liabilities of HK\$0.1 million and HK\$1.7 million were denominated in US dollars and Australian dollars respectively. All bank borrowings are at floating rates and finance leases are in fixed rates with all borrowings repayable within five years. The Group's gearing ratio as at 30 June 2017 was 8.9% (31 December 2016: 10.1%), which is calculated on the basis of the Group's total interest-bearing debts over the total equity interest.

During the period, the Group had acquired property, plant and equipment at approximately HK\$8.3 million. The purchase was financed by internal resources. As at 30 June 2017, the net book amount of property, plant and equipment included net carrying amount of approximately HK\$1.8 million (31 December 2016: HK\$0.7 million) in respect of assets held under finance lease.

The Group's policy is to regularly monitor its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.



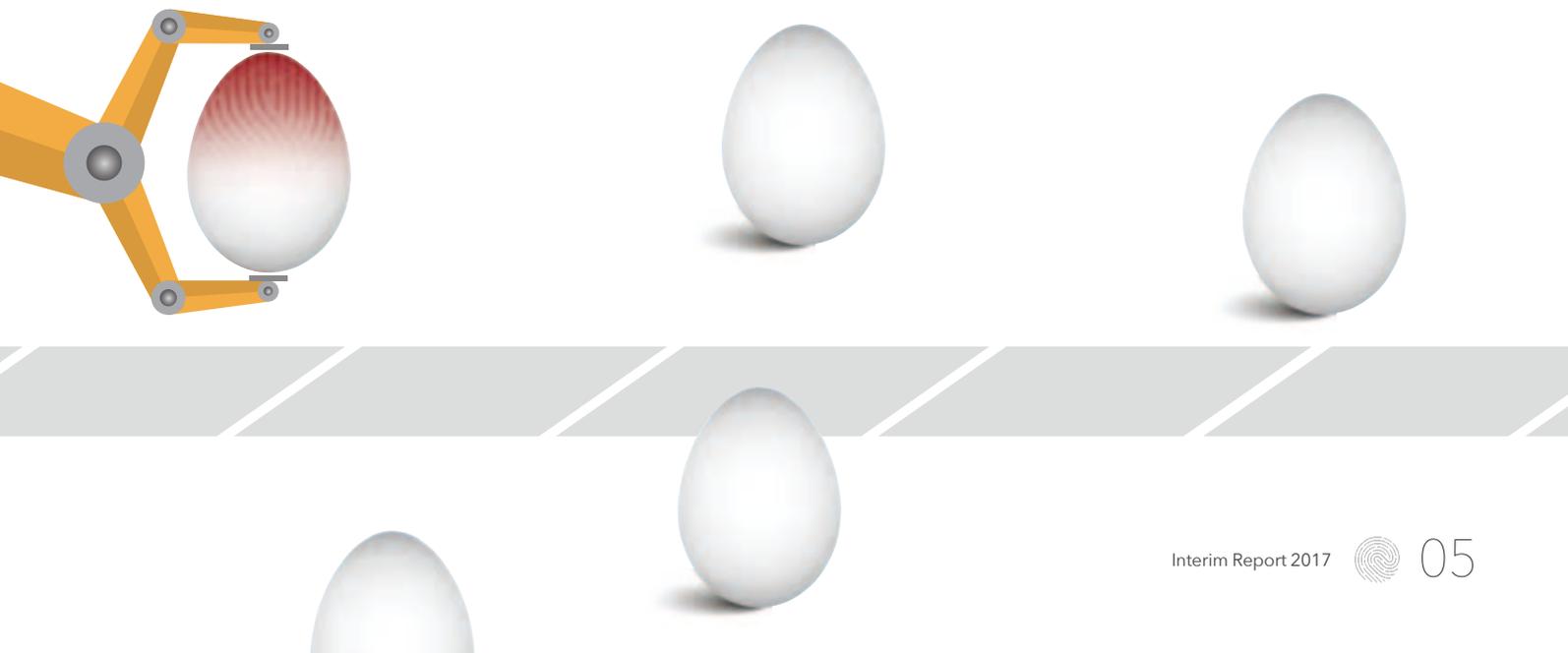
FOREIGN CURRENCY MANAGEMENT

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITY

As at 30 June 2017, the Group had committed to acquire machinery of approximately HK\$1.2 million. The acquisition will be financed by the Group's internal resources.

The Group had no significant contingent liability as at 30 June 2017.



The Board of Directors (the “Board”) of Lion Rock Group Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2017 together with the comparative unaudited figures for the corresponding period in 2016 as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	Notes	(Unaudited)	
		Six months ended 30 June	
		2017	2016
		HK\$'000	HK\$'000
Revenue	3	712,762	798,208
Direct operating costs		(523,075)	(571,359)
Gross profit		189,687	226,849
Other income		23,068	17,224
Selling and distribution costs		(88,908)	(93,921)
Administrative expenses		(48,547)	(63,553)
Other expenses		(1,669)	(5,334)
Finance costs	4	(1,393)	(1,575)
Profit before income tax	5	72,238	79,690
Income tax expense	6	(15,930)	(19,493)
Profit for the period		56,308	60,197
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain on translation of financial statements of foreign operations		24,677	12,040
Other comprehensive income for the period, net of tax		24,677	12,040
Total comprehensive income for the period		80,985	72,237
Profit for the period attributable to:			
Owners of the Company		49,425	52,027
Non-controlling interests		6,883	8,170
		56,308	60,197
Total comprehensive income attributable to:			
Owners of the Company		71,207	62,061
Non-controlling interests		9,778	10,176
		80,985	72,237
Earnings per share for profit attributable to owners of the Company during the period	7		
– Basic		HK6.42 cents	HK6.76 cents
– Diluted		N/A	N/A

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	(Unaudited) At 30 June 2017 HK\$'000	(Audited) At 31 December 2016 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	116,835	133,919
Intangible assets		191,045	150,462
Other non-current assets		6,704	5,633
Deferred tax assets		36,248	35,676
		350,832	325,690
Current assets			
Inventories		131,319	82,850
Trade and other receivables and deposits	9	436,945	430,190
Financial assets at fair value through profit or loss	20	–	5,472
Cash and bank balances		444,270	461,155
		1,012,534	979,667
Current liabilities			
Trade and other payables	10	252,698	223,663
Financial liabilities at fair value through profit or loss	20	3,515	–
Bank borrowings	11	82,965	94,766
Finance lease liabilities	12	392	162
Provisions		21,953	21,816
Provision for taxation		12,478	6,133
		374,001	346,540
Net current assets		638,533	633,127
Total assets less current liabilities		989,365	958,817
Non-current liabilities			
Provisions		11,422	7,479
Put option liability	17	14,004	–
Finance lease liabilities	12	1,412	507
Deferred tax liabilities		5,749	5,092
		32,587	13,078
Net assets		956,778	945,739
EQUITY			
Share capital	13	7,700	7,700
Reserves		888,481	882,201
Equity attributable to owners of the Company		896,181	889,901
Non-controlling interests		60,597	55,838
Total equity		956,778	945,739

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	(Unaudited)	
	For the six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Net cash generated from operating activities	81,034	154,764
Investing activities		
Interest received	1,539	636
Purchases of property, plant and equipment	(8,255)	(13,651)
Proceeds from disposals of property, plant and equipment	12,433	434
Payments for deemed acquisition of non-controlling interests	(15,518)	–
Disposal of a subsidiary, net of cash disposed	(138)	–
Acquisition of a subsidiary, net of cash acquired	(28,251)	–
Net cash used in investing activities	(38,190)	(12,581)
Financing activities		
Bank borrowings raised	7,740	–
Repayment of bank borrowings	(19,541)	(18,883)
Interest on bank borrowings paid	(1,259)	(1,544)
Finance lease raised	1,311	–
Capital element of finance lease liabilities paid	(203)	(497)
Interest element of finance lease payments	(36)	(31)
Dividends paid	(46,200)	(34,650)
Dividends paid to non-controlling interests	(1,541)	(22,881)
Payments to employees under shares award scheme	–	(184)
Net cash used in financing activities	(59,729)	(78,670)
Net (decrease) increase in cash and cash equivalents	(16,885)	63,513
Cash and cash equivalents at the beginning of the period	461,155	262,895
Cash and cash equivalents at the end of the period	444,270	326,408
Analysis of balances of cash and cash equivalents		
Bank balances and cash	444,270	324,028
Cash included in assets held for sale	–	2,380
	444,270	326,408



Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2017

	Attributable to owners of the Company													
	Share capital	Share premium	Exchange reserve	Merger reserve	Contributed surplus	Other reserve	Put option Reserve	Employee compensation reserve	Shares held under share award scheme	Proposed final dividend	Retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2017 (Audited)	7,700	173,078	(51,179)	(136,875)	310,125	(12,380)	-	-	(5)	46,200	553,237	889,901	55,838	945,739
2016 final dividend paid	-	-	-	-	-	-	-	-	-	(46,200)	-	(46,200)	-	(46,200)
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(1,541)	(1,541)
Acquisition of a subsidiary (note 17)	-	-	-	-	-	-	-	-	-	-	-	-	6,812	6,812
Equity-settled share based payment expense (note 17)	-	-	-	-	-	-	-	407	-	-	-	407	-	407
Put option granted to non-controlling shareholder of a subsidiary (note 17)	-	-	-	-	-	-	(13,906)	-	-	-	-	(13,906)	-	(13,906)
Deemed acquisition of non-controlling interests (note 16)	-	-	-	-	-	(3,739)	-	-	-	-	-	(3,739)	(11,779)	(15,518)
Exercise of share option in a subsidiary (note 16)	-	-	-	-	-	(1,489)	-	-	-	-	-	(1,489)	1,489	-
Transactions with owners	-	-	-	-	-	(5,228)	(13,906)	407	-	(46,200)	-	(64,927)	(5,019)	(69,946)
Profit for the period	-	-	-	-	-	-	-	-	-	-	49,425	49,425	6,883	56,308
Other comprehensive income														
Currency translation	-	-	21,782	-	-	-	-	-	-	-	-	21,782	2,895	24,677
Total comprehensive income for the period	-	-	21,782	-	-	-	-	-	-	-	49,425	71,207	9,778	80,985
Balance at 30 June 2017 (Unaudited)	7,700	173,078	(29,397)	(136,875)	310,125	(17,608)	(13,906)	407	(5)	-	602,662	896,181	60,597	956,778

Condensed Consolidated Statement of Changes in Equity (Unaudited) (continued)

For the six months ended 30 June 2017

	Attributable to owners of the Company												Total equity
	Share capital	Share premium	Exchange reserve	Merger reserve	Contributed surplus	Other reserve	Employee compensation reserve	Shares held under share award scheme	Proposed final dividend	Retained earnings	Total	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 January 2016 (Audited)	7,700	173,078	(45,739)	(136,875)	310,125	(473)	5,172	(4,489)	34,650	473,728	816,877	57,974	874,851
2015 final dividend paid	-	-	-	-	-	-	-	-	(34,650)	-	(34,650)	-	(34,650)
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(22,881)	(22,881)
Shares vested under share award scheme	-	-	-	-	-	-	(3,818)	4,330	-	(696)	(184)	-	(184)
Purchase of additional interests in a subsidiary (Note)	-	-	-	-	-	(9,549)	-	-	-	-	(9,549)	9,549	-
Transactions with owners	-	-	-	-	-	(9,549)	(3,818)	4,330	(34,650)	(696)	(44,383)	(13,332)	(57,715)
Profit for the period	-	-	-	-	-	-	-	-	-	52,027	52,027	8,170	60,197
Other comprehensive income													
Currency translation	-	-	10,034	-	-	-	-	-	-	-	10,034	2,006	12,040
Total comprehensive income for the period	-	-	10,034	-	-	-	-	-	-	52,027	62,061	10,176	72,237
Balance at 30 June 2016 (Unaudited)	7,700	173,078	(35,705)	(136,875)	310,125	(10,022)	1,354	(159)	-	525,059	834,555	54,818	889,373

Note: On 10 May 2016, a wholly-owned subsidiary of the Company, acquired the entire issued share capital of C.O.S. Printers Pte Ltd ("COS") from a 61.88% owned subsidiary of the Company at a consideration of HK\$63,845,000. As a result of the transaction, the Group effectively acquired an additional interests of 38.12% in COS from non-controlling shareholders and thereafter COS become the wholly owned subsidiary of the Company. The difference of HK\$9,549,000 between the proportionate share of the carrying amount of net assets and the consideration paid for the additional interests have been debited to other reserve.



Notes to the Condensed Consolidated Interim Financial Statements

1. GENERAL INFORMATION

The Company was incorporated in Bermuda on 9 March 2011 under the Bermuda Companies Act as an exempted limited liability company. The Company and its subsidiaries (the “Group”) are principally engaged in the provision of printing services. The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 25 July 2011.

2. BASIS OF PREPARATION

The Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2017 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 Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The interim financial statements are unaudited but have been reviewed by the Company’s audit committee.

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair values.

The accounting policies used in preparing the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2016 except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2017.

The adoption of these new and revised HKFRSs had no material impact on the unaudited condensed consolidated financial statements of the Group for the current and prior accounting period.

The Group has not early adopted the new HKFRSs that have been issued but are not yet effective. The directors of the Company are currently assessing the impact of these new HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group’s results of operations and financial position.

3. SEGMENT INFORMATION

The executive directors have identified that the Group has only one reportable segment, which is the provision of printing services. The analysis of the Group's revenue by geographical location is as follows:

Revenue – based on the country in which the customer is located, are analysed as follows:

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
	HK\$'000	HK\$'000
Australia	264,671	319,685
United States of America	221,277	217,089
United Kingdom	121,179	135,185
Spain	43,005	67,299
Mexico	14,110	16,659
Germany	12,243	13,273
New Zealand	8,821	8,005
Singapore	8,021	6,270
Canada	5,448	2,553
Brazil	2,512	2,215
El Salvador	1,242	570
Hong Kong (domicile)	934	3,107
Others	9,299	6,298
	712,762	798,208

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

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
	HK\$'000	HK\$'000
Reportable segment profit	74,038	81,265
Equity-settled share-based payments	(407)	–
Finance costs	(1,393)	(1,575)
Profit before income tax	72,238	79,690

4. FINANCE COSTS

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
	HK\$'000	HK\$'000
Interest charges on bank borrowings, which contain a repayment on demand clause, wholly repayable within five years	1,259	1,544
Interest on put option liability	98	–
Finance lease charges	36	31
	1,393	1,575

5. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
	HK\$'000	HK\$'000
Depreciation (Note)	19,306	40,153
Employee benefit expenses	150,615	157,470
Equity-settled compensation expense	407	–
Minimum lease payments paid under operating leases in respect of rented premises and production facilities	14,959	17,026
(Gain) Loss on disposals of property, plant and equipment	(2,185)	9,948
Loss on disposal of subsidiary	732	–
Loss (Gain) on financial assets at fair value through profit or loss	4,903	(3,070)
Net foreign exchange (gain) loss	(6,082)	2,669
Interest income	(1,539)	(636)

Note:

In 2016, the Company has revisited the estimated useful lives of printing and prepress machineries. The useful lives of printing machineries were estimated from 15 years to 10 years and the useful lives of prepress machineries were estimated from 10 years to 4 years. As a result, additional depreciation of approximately HK\$18,232,000 was charged to profit and loss for the period ended 30 June 2016. The additional depreciation was included in direct operating costs.

6. 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:

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong profits tax		
– Current year	6,791	13,623
Overseas tax		
– Current year	7,878	10,513
Deferred taxation – current year	1,261	(4,643)
	15,930	19,493

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
	HK\$'000	HK\$'000
Earnings for the purposes of basic earnings per share for the period	49,425	52,027

	Number of shares ('000)	
	2017	2016
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	769,997	770,000

Note: Weighted average number of ordinary shares for the purpose of basic earnings per share represents shares in issue less shares held for share award scheme that have not been vested unconditionally in the employees during the period.

8. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Furniture and fixtures	Office equipment	Leasehold improve- ments	Computer equipment and systems	Motor vehicles	Machinery	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2017								
Cost	11,031	5,086	7,580	55,607	12,275	3,284	305,825	400,688
Accumulated depreciation	(2,794)	(4,748)	(4,466)	(45,952)	(11,702)	(1,440)	(195,667)	(266,769)
Net book amount	8,237	338	3,114	9,655	573	1,844	110,158	133,919
Period ended 30 June 2017								
Opening net book amount	8,237	338	3,114	9,655	573	1,844	110,158	133,919
Exchange differences	583	–	142	86	27	29	3,179	4,046
Additions	–	–	60	503	63	–	7,629	8,255
Disposals	–	–	(3)	–	–	(41)	(10,203)	(10,247)
Depreciation	(500)	(111)	(320)	(1,595)	(195)	(398)	(16,187)	(19,306)
Acquisition of subsidiary (note 17)	–	27	90	191	35	–	–	343
Disposal of subsidiary	–	–	(8)	–	(6)	–	(161)	(175)
Closing net book amount	8,320	254	3,075	8,840	497	1,434	94,415	116,835
At 30 June 2017								
Cost	11,833	5,124	7,914	56,566	12,493	3,152	290,887	387,969
Accumulated depreciation	(3,513)	(4,870)	(4,839)	(47,726)	(11,996)	(1,718)	(196,472)	(271,134)
Net book amount	8,320	254	3,075	8,840	497	1,434	94,415	116,835

At 30 June 2017 and 31 December 2016, the Group's freehold land and buildings were situated in Australia. Net book amount of property, plant and equipment as at 30 June 2017 includes the net carrying amount of HK\$1,804,000 (31 December 2016: HK\$674,000) held under finance lease.



9. TRADE AND OTHER RECEIVABLES AND DEPOSITS

The Group allows a credit period from 30 to 150 days to its trade customers. Ageing analysis of trade receivables as at 30 June 2017, based on sales invoice date and net of provisions, is as follows:

	At 30 June 2017 (Unaudited)	At 31 December 2016 (Audited)
	HK\$'000	HK\$'000
0 – 30 days	165,511	141,426
31 – 60 days	85,872	80,355
61 – 90 days	74,898	68,225
91 – 120 days	33,806	50,163
121 – 150 days	9,858	39,085
Over 150 days	24,224	21,637
Total trade receivables	394,169	400,891
Other receivables and deposits	42,776	29,299
	436,945	430,190

10. TRADE AND OTHER PAYABLES

As at 30 June 2017, the ageing analysis of trade payables based on invoice date is as follows:

	At 30 June 2017 (Unaudited)	At 31 December 2016 (Audited)
	HK\$'000	HK\$'000
0 – 30 days	84,510	63,487
31 – 60 days	24,028	20,262
61 – 90 days	15,639	5,466
91 – 120 days	459	461
Over 120 days	2,357	2,660
Total trade payables	126,993	92,336
Other payables and accruals	125,705	131,327
	252,698	223,663

11. BANK BORROWINGS

During the six months ended 30 June 2017, bank borrowing of HK\$7,740,000 was raised (30 June 2016: nil) and repayments of bank loans amounting to HK\$19,541,000 (30 June 2016: HK\$18,883,000) were made in line with the relevant repayment terms.

All bank borrowings as at 30 June 2017 are secured by the corporate guarantees from the Company.

12. FINANCE LEASE LIABILITIES

The analysis of the obligations under finance lease is as follows:

	At 30 June 2017 (Unaudited)	At 31 December 2016 (Audited)
	HK\$'000	HK\$'000
Total minimum lease payments:		
Due within one year	493	201
Due in the second to fifth years	1,576	573
	2,069	774
Future finance charges on finance lease	(265)	(105)
Present value of finance lease liabilities	1,804	669
Present value of minimum lease payments:		
Due within one year	392	162
Due in the second to fifth years	1,412	507
	1,804	669
Less: Portion due within one year included under current liabilities	(392)	(162)
Non-current portion included under non-current liabilities	1,412	507

The Group entered into finance lease for various items of machineries. The lease runs for an initial period of five years (2016: five years) and does not have options to renew or any contingent rental provisions.

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

13. SHARE CAPITAL

	No. of shares	Amount
	('000)	HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each	1,000,000	10,000
Issued and fully paid:		
At 1 January 2017 and 30 June 2017	770,000	7,700

14. CAPITAL COMMITMENTS

As at 30 June 2017, the Group had capital commitment contracted but not provided for in respect of the acquisition of property, plant and equipment of approximately HK\$1,228,000 (31 December 2016: HK\$1,376,000).



15. DIVIDENDS**(a) Dividends attributable to the previous financial year, approved and paid during the interim period**

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
	HK\$'000	HK\$'000
Final dividend in respect of the year ended 31 December 2016, approved and paid during the interim period of HK\$0.045 (2016: HK\$0.045) per share	34,650	34,650
Special dividend in respect of the year ended 31 December 2016, approved and paid during the interim period of HK\$0.015 (2016: Nil) per share	11,550	–
	46,200	34,650

(b) Dividends attributable to the interim period

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
	HK\$'000	HK\$'000
Interim dividends declared – HK\$0.030 (2016: HK\$0.025) per share (note)	23,100	19,250

Note:

The amount of the interim dividend declared for the six months ended 30 June 2017, which will be payable in cash, has been calculated by reference to the 770,000,000 issued ordinary shares outstanding as at the date of this report. The interim dividend is not reflected as dividend payable in the condensed consolidated interim financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2017.

16. NON-CONTROLLING INTERESTS**(a) Deemed acquisition of non-controlling interests**

On 28 March 2017, OPUS Group Limited (“OPUS”), a non-wholly owned subsidiary of the Company, implemented the buyback of shares from its director, Richard Celarc. The shares bought back were cancelled subsequently. As a result of the transaction, the shareholding in OPUS held by the Group was increased from 64.66% to 68.82% and the Group effectively acquired 4.16% in OPUS from non-controlling shareholders. The difference of HK\$3,739,000 between the proportionate share of the carrying amount of net assets and the consideration paid for the additional interests have been debited to other reserve.

	OPUS HK\$'000
Consideration paid for 4.16% ownership interest	15,518
Net assets attributable to 4.16% ownership interest	(11,779)
Decrease in equity attributable to owners of the company (included in other reserve)	3,739

(b) Exercise of share options in OPUS

On 2 May 2017, Bookbuilders BVI Limited, an indirectly wholly owned subsidiary of the Company exercised the share options granted by OPUS on 3 November 2014 to acquire 20,000,000 ordinary shares in OPUS at AU\$0.35 per share. As a result of the transaction, the shareholding in OPUS held by the Group was increased from 68.82% to 74.67%. The increase in proportionate share of the carrying amount of net assets of HK\$1,489,000 by the Group has been debited to other reserve.

17. ACQUISITION OF SUBSIDIARY AND GRANTING OF OPTIONS

On 23 March 2017, Magic Omen Limited (“Magic Omen”), an indirect wholly-owned subsidiary of the Company entered into the Share Transfer Agreement with independent third party to acquire 75% of the entire issued share capital of Regent Publishing Services Limited (“Regent”) at a consideration of US\$4,500,000 plus HK\$19,500,000 (equivalent to approximately HK\$54,253,000). Regent is engaged in provision of services for book, magazine and non-book publishers. The acquisition (the “Acquisition”) was completed on 31 March 2017 and has been accounted for using the acquisition method. Through the Acquisition, the Group can broaden its customer base and strengthen its purchasing power.

Details of net assets acquired were as follows:

	HK\$'000
Purchase consideration – cash paid	54,253
Fair value of assets acquired	20,437
Goodwill	33,816
Purchase consideration settled in cash	(54,253)
Cash and cash equivalents acquired	26,002
Cash outflow on acquisition of subsidiary	28,251

Assets and liabilities arising from this acquisition were as follows:

	Fair value HK\$'000
Property, plant and equipment	343
Other receivables	904
Cash and bank balances	26,002
Net assets	27,249
Non-controlling interests (25%)	(6,812)
Net assets acquired	20,437

Goodwill of HK\$33,816,000, 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.

Reconciliation of the carrying amount of intangible assets is presented below:

	Goodwill HK\$'000
Carrying amount at 1 January 2017	150,462
Exchange differences	6,767
Acquisition of a subsidiary	33,816
Carrying amount at 30 June 2017	191,045



17. ACQUISITION OF SUBSIDIARY AND GRANTING OF OPTIONS (CONTINUED)

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

The fair value of other receivables was equivalent to its carrying amount. None of these receivables have been impaired and it is expected that the full contractual amount can be collected or recovered.

Since the acquisition date, Regent contributed HK\$33,859,000 and HK\$4,180,000 to the Group's revenue and profit for the six months ended 30 June 2017. If the acquisition had occurred on 1 January 2017, the Group's revenue would have been HK\$733,188,000 and the profit for the period would have been HK\$55,509,000.

The transaction costs of HK\$54,000 have been expensed and are included in administrative expenses.

On the same date of the Share Transfer Agreement, Magic Omen entered into an option agreement ("Option Agreement") with Yau Wah Holdings Limited ("Yau Wa"), the 25% non-controlling shareholder of Regent and Mr. Tai Tin Yau, the managing director of Regent. Pursuant to the Option Agreement and conditional upon the completion of the Acquisition, Yau Wa has been granted a put option ("Put Option") and call options ("Call Options") to sell and purchase the shares in Regent. Mr. Tai is bound by a set of non-competition covenants under the terms of the Option Agreement. The exercise price of the Put Option and Call Options are based on the net assets value and net profit after tax of Regent at certain time at the formula as set in the Option Agreement. At initial recognition, a put option liability of HK\$13,906,000 is recognised as a financial liability in the consolidated financial statements, which represents the present value of the expected redemption amount of the Put Option with the corresponding debit to put option reserve in equity. The fair value of the Call Options of HK\$407,000 is recognised as employee compensation expense at the date of grant with the corresponding credit to employee compensation reserve in equity.

18. RELATED PARTY TRANSACTIONS

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.

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
	HK\$'000	HK\$'000
Short-term employee benefits	4,018	3,939
Post-employment benefit	82	82
	4,100	4,021

19. CONTINGENT LIABILITIES

As at 30 June 2017, the Group had no significant contingent liabilities (31 December 2016: Nil).

20. FAIR VALUE MEASUREMENT**(i) Recurring fair value measurements**

	At 30 June 2017 (unaudited)		At 31 December 2016 (audited)	
	Level 1	Level 2	Level 1	Level 2
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Held for trading				
Forward foreign exchange contracts	–	(3,515)	–	5,472
Fair value	–	(3,515)	–	5,472

(ii) Fair values of financial instruments carried at other than fair value

Trade and other receivables, trade and other payables, bank borrowings, finance lease liabilities and put option liability are carried at cost or amortised cost which are not materially different from their fair values as at 30 June 2017 and 31 December 2016.

(iii) Measurement of fair values

The fair value of forward foreign exchange contracts is measured using the forward exchange market rates at the reporting date.



Other Disclosures

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2017, the interests and short positions of the directors and chief executive 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 required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

Long Position in the shares of the Company

Name of Directors	Personal Interests (Shares)	Family Interests (Shares)	Corporate Interests (Shares)	Total Interests (Shares)	Percentage to the issued share capital of the Company (%)
Mr. Lau Chuk Kin (Note 1)	50,371,906	Nil	266,432,717	316,804,623	41.14
Ms. Lam Mei Lan	16,568,688	Nil	Nil	16,568,688	2.15
Mr. Lam Wing Yip	1,060,048	Nil	Nil	1,060,048	0.14
Mr. Guo Junsheng (Note 2)	Nil	Nil	30,299,804	30,299,804	3.94

Note 1: Of 266,432,717 shares, 258,135,326 shares and 8,297,391 shares are beneficially owned by City Apex Limited and ER2 Holdings Limited ("ER2 Holdings") respectively. As at 30 June 2017, ER2 Holdings was the ultimate holding company of City Apex Limited. Mr. Lau Chuk Kin owned 67% of the issued share capital of ER2 Holdings and accordingly, Mr. Lau is deemed to be interested in the said shares pursuant to Part XV of the Securities and Futures Ordinance.

Note 2: The shares are beneficially owned by Dragon Might Global Limited ("Dragon Might"). As at 30 June 2017, Dragon Might is 100% directly owned by Mr. Guo Junsheng and therefore Mr. Guo is deemed to be interested in the said shares.

Saved as disclosed above, as at 30 June 2017, to the knowledge of the Company, none of the directors or chief executive of the Company and their respective associates 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 Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, 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 Limited (Note 1)	8,297,391	258,135,326	266,432,717	34.60
City Apex Limited (Note 1)	258,135,326	Nil	258,135,326	33.52
Mr. Webb David Michael (Note 2)	19,975,168	41,665,808	61,640,976	8.00
Mr. Chang Mun Kee (Note 3)	Nil	54,112,030	54,112,030	7.03
JcbNext Berhad (Note 3)	54,112,030	Nil	54,112,030	7.03
Preferable Situation Assets Limited (Note 2)	41,665,808	Nil	41,665,808	5.41

Note 1: 258,135,326 shares and 8,297,391 shares are beneficially owned by City Apex Limited and ER2 Holdings respectively. ER2 Holdings was the ultimate holding company of City Apex Limited. Mr. Lau Chuk Kin owned 67% of the issued share capital of ER2 Holdings and accordingly, Mr. Lau is deemed to be interested in the said shares pursuant to Part XV of the Securities and Futures Ordinance.

Note 2: Of 61,640,976 shares, 41,665,808 shares are beneficially owned by Preferable Situation Assets Limited. According to the record kept by the Company, as at 30 June 2017, Preferable Situation Assets Limited is 100% directly owned by Mr. Webb David Michael and therefore Mr. Webb is deemed to be interested in the said shares held by Preferable Situation Assets Limited.

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

Save as disclosed above, as at 30 June 2017, 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 AWARD SCHEME

A share award scheme (the "1010 Share Award Scheme") was adopted by the Company on 30 December 2013. The purpose of the 1010 Share Award Scheme is to recognize and motivate the contribution of participants and to incentivize them to further the operation and development of the Group and to attract suitable personnel for the Group. A trust has been set up and fully funded by the Company for the purpose of purchasing, administrating and holding the Company's shares for the 1010 Share Award Scheme. The total number of shares which may be granted to the selected participant under the 1010 Share Award Scheme shall not exceed 10% of the total issued share capital (i.e. 77,000,000 shares) of the Company as at the adoption date. The maximum number of shares which may be awarded to a selected participant under the scheme shall not exceed 1% of the issued share capital (i.e. 7,700,000 shares) of the Company as at the adoption date. The 1010 Share Award Scheme shall be valid and effective for a term of ten years commencing from the adoption date.

During the six months period ended 30 June 2017, no share award was granted and no shares were purchased under the 1010 Share Award Scheme. At 30 June 2017, the Company had no awarded shares outstanding under the 1010 Share Award Scheme.

SHARE OPTION SCHEME

A share option scheme (the “1010 Share Option Scheme”) was adopted by the Group, pursuant to its resolution passed on 22 April 2013 and effective for a period of ten years commencing from the adoption date. During the period, there was no share option issued under the 1010 Share Option Scheme. At 30 June 2017, the Company had 70,000,000 share options available for issue under the 1010 Share Option Scheme, which represented approximately 9.1% of the Company’s shares in issue at that date.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “Code Provision”) contained in Appendix 14 of the Listing Rules throughout the six months period ended 30 June 2017.

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 2017.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2017, the Group had around 1,336 full-time employees (30 June 2016: 1,527). The pay scale of the Group’s employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group’s salary and bonus system. Other employee benefits include share award, provident fund, insurance and medical cover.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to recommend the payment of an interim dividend of HK\$0.030 (2016: HK\$0.025) per ordinary share for the six months ended 30 June 2017 to shareholders whose names appear on the register of holders of ordinary shares of the Company as at the close of business on 11 September 2017. The register of shareholders will be closed on 11 September 2017, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited whose share registration public offices are located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 8 September 2017. The dividend is expected to be paid on 25 September 2017.

AUDIT COMMITTEE

The audit committee has three members comprising the three independent non-executive directors, namely, Dr. Ng Lai Man, Carmen, Mr. Yeung Ka Sing and Mr. Tsui King Chung, David, with terms of reference in compliance with the Listing Rules. The audit committee review the Group’s financial reporting, internal controls and make 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 2017 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

Yeung Ka Sing

Chairman

Hong Kong, 24 August 2017

Corporate Information

Board of Directors

Executive Directors

Mr. Lau Chuk Kin
Mr. Li Hoi, David
Ms. Lam Mei Lan
Mr. Lam Wing Yip
Mr. Chu Chun Wan

Non-Executive Directors

Mr. Guo Junsheng

Independent Non-Executive Directors

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

Company Secretary

Ms. Tan Lai Ming *FCCA, FCCA*

Compliance Officer

Mr. Lau Chuk Kin

Authorised Representatives

Ms. Lam Mei Lan
Ms. Tan Lai Ming

Bermuda Resident Representative

Codan Services Limited

Audit Committee

Dr. Ng Lai Man, Carmen (*Chairman*)
Mr. Yeung Ka Sing
Mr. Tsui King Chung, David

Nomination Committee

Mr. Yeung Ka Sing (*Chairman*)
Mr. Lau Chuk Kin
Mr. Tsui King Chung, David
Dr. Ng Lai Man, Carmen

Remuneration Committee

Mr. Yeung Ka Sing (*Chairman*)
Mr. Lau Chuk Kin
Mr. Tsui King Chung, David
Dr. Ng Lai Man, Carmen

Auditor

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Legal Adviser

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Share Registrars and Transfer Offices

Principal Registrar

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Bermuda

Hong Kong Branch Registrar

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1127



