

Interim Report 2018



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

For the first half of 2018, the Group recorded a year-on-year increase of 35% in net profit attributable to owners to about HK\$67 million. If the effect of non-recurrent income and expenses, which include gain on release of exchange reserve, deemed disposal of available-for-sale investment and OPUS listing expenses, are taken into consideration, profit before taxation increased by HK\$13 million. In light of the industry's difficulty to pass on paper price increase to the end customers and additional costs incurred to meet the tight environmental controls implemented by the Chinese Government, management viewed the results as satisfactory.

The impact of the recent trade war between China and the USA is being closely monitored by management. Already we have witnessed the tapering off of demand for textbook paper in the China market and the easing of paper price increase. We forecast continued volatility in the turnover and price of paper in the China market. Management has partially hedged the risk by building a larger reserve of paper inventory. This has already positively impacted the operations of 1010 as the spot market for paper has become tight and we were able to take advantage of the situation by completing large orders at short notice using the stock paper we hold in our warehouse. We have seen export sales paper price in Europe increasing to keep pace of those in China since the start of 2018. This bodes well for the China-based book printers as at one stage there was a worrying trend of export business declining due to the increasing competitiveness of printers based in Europe.

The sales revenue of 1010 Printing continues to decline, though at a slower pace. This is the result of 1010 management's conscious decision to turn away orders with low margins or high credit risk. Despite the 5% drop in sales turnover, the contribution from the 1010 business unit rose 9%.

Our print management's units, APOL and Regent, performed strongly and increased their contributions to the Group's profit by high single digit margin.

Our Australian subsidiary OPUS has an interesting first half. For the past few years, OPUS management has made great efforts in retaining its position as a leading one stop shop for printing solution and services in Australia by enhancing end-to-end solutions as well as expanding warehousing and printing facilities. A new long-term warehouse and fulfillment contract which commenced in the second quarter of 2018 validates this strategy. The contract is to provide a total solution to the customer on the handling of printed forms including online downloading and fulfillment services. The custom-made project was won against strong competition from both traditional printers and software service providers. Management believes that the continued development of our end-to-end printing solutions and services to address the needs of our customers will stand us in good stead for future growth. With reference to our announcement made on 14 June



2018, OPUS entered into a Scheme Implementation Agreement pursuant to which, and, if approved, the listing of OPUS Group will be transferred from the Australian Stock Exchange to the Hong Kong Stock Exchange. This will enable OPUS to gain improved access to the capital markets in Hong Kong for future development purposes.

Our manufacturing subsidiary in Singapore – COS, despite having a stable sales turnover suffered a decline in net profit due to the drop in orders from one major customer.

PROSPECTS

All our major business units are forecasting steady results for the second half and we are confident of the prospects for the Group for the entire year. On May 17th this year, two of Lion Rock Group's executive directors, Lau Chuk Kin ("CK Lau") and Lam Mei Lan, were appointed to the board of The Quarto Group, Inc. ("Quarto"), in which Lion Rock holds a 19% stake and CK Lau 8%. Subsequently, CK Lau has been appointed as the interim CEO of Quarto. The investment in Quarto and participation in its management

is in line with the Group's diversification strategy. Quarto is one of the leading illustrated book publishers in the English language world. With focused management and by improving its balance sheet, Quarto holds great promises for a rapid turnaround in its performance. The Group has high hopes for Quarto to provide significant contributions to the Group in the near future.

FINANCIAL REVIEW

Turnover for the six months ended 30 June 2018 increased by 12% to approximately HK\$800.9 million (2017: HK\$712.8 million). The increase was mainly contributed by the increase in sales from Asia Pacific Offset Limited driven by the sales increase in US and Mexico; and also the inclusion of sales from Regent Publishing Services Limited since our acquisition in late March 2017.

Gross profit margin increased slightly from 26.6% to 27.3%. The increase was mainly contributed by better operating efficiency from 1010 Yuanzhou factory.

Other income increased from approximately HK\$23.1 million to approximately HK\$49.6 million was mainly due to the gain on release of exchange reserve upon deregistration of subsidiary in New Zealand of approximately HK\$28.3 million and increase in



MANAGEMENT DISCUSSION AND ANALYSIS

gain on disposal of property, plant and equipment of approximately HK\$2.9 million. Such increase was partly offset by the decrease in exchange gain during the period.

Selling and distribution expenses increased from approximately HK\$88.9 million for the six months ended 30 June 2017 to approximately HK\$99.2 million for the same period in 2018. The increase was in line with the increase in sales during the period.

Administrative expenses increased from approximately HK\$48.5 million for the six months ended 30 June 2017 to approximately HK\$57.2 million for the six months ended 30 June 2018. The increase was primarily due to the loss on deemed disposal upon reclassification of available-for-sale investment to investment in associate of approximately HK\$7.5 million and the inclusion of overhead expenses in Regent after acquisition.

Other expenses increased to HK\$19.5 million for the six months ended 30 June 2018 compared to HK\$1.7 million for the same period in 2017. The increase was mainly due to the listing expenses of approximately HK\$16.0 million incurred on the proposed delisting of OPUS Group Limited from Australian Securities Exchange and its proposed listing in the Main Board of the Stock Exchange of Hong Kong.

Income tax expenses for the period decreased to approximately HK\$12.9 million for the six months ended 30 June 2018 from approximately HK\$15.9 million for the same period in 2017. The decrease in income tax was due to the non-taxable gain arose from the release of exchange reserve on deregistration of subsidiary in New Zealand as mentioned above.

Profit attributable to owners of the Company amounted to approximately HK\$67.0 million in 2018 (2017: HK\$49.4 million), a 35.6% increase compared to the same period in last year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2018, the Group had net current assets of approximately HK\$598.6 million (31 December 2017: HK\$680.1 million) of which the cash and bank deposits were approximately HK\$342.7 million (31 December 2017: HK\$424.2 million). The Group's current ratio was approximately 2.4 (31 December 2017: 2.9).

Total bank borrowings and finance lease liabilities were HK\$128.2 million (31 December 2017: HK\$70.9 million). As at 30 June 2018, bank borrowings of HK\$104.1 million were denominated in Hong Kong dollars and HK\$22.8 million were denominated in EURO dollars. All finance lease liabilities were denominated in Australian dollars. All bank borrowings are at floating rates and finance leases are in fixed rates with all borrowings repayable within five years. The Group's gearing ratio as at 30 June 2018 was 12.7% (31 December 2017: 6.8%), 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\$8.5 million. The purchase was financed by internal resources. As at 30 June 2018, the net book amount of property, plant and equipment included net carrying amount of approximately HK\$1.3 million (31 December 2017 HK\$1.5 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 2018, the Group had committed to acquire machinery of approximately HK\$11.8 million. The acquisition will be financed by the Group's internal resources.

The Group had no significant contingent liability as at 30 June 2018.

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 2018 together with the comparative unaudited figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	(Unaudited) Six months ended 30 June	
		2018	2017
		HK\$'000	HK\$'000
Revenue	3	800,861	712,762
Direct operating costs		(581,871)	(523,075)
Gross profit		218,990	189,687
Other income		49,587	23,068
Selling and distribution costs		(99,170)	(88,908)
Administrative expenses		(57,228)	(48,547)
Other expenses		(19,528)	(1,669)
Finance costs	4	(1,432)	(1,393)
Share of result of associate		(1,195)	–
Profit before income tax	5	90,024	72,238
Income tax expense	6	(12,865)	(15,930)
Profit for the period		77,159	56,308
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange (loss) gain on translation of financial statements of foreign operations		(10,775)	24,677
Fair value loss on available-for-sale investment		(12,551)	–
Release from reserve on deemed disposal of available-for-sale investment		7,451	–
Exchange reserve released upon deregistration of foreign subsidiary		(28,311)	–
Share of other comprehensive expense of associate		(1,510)	–
Other comprehensive income for the period, net of tax		(45,696)	24,677
Total comprehensive income for the period		31,463	80,985
Profit for the period attributable to:			
Owners of the Company		66,953	49,425
Non-controlling interests		10,206	6,883
		77,159	56,308
Total comprehensive income attributable to:			
Owners of the Company		29,549	71,207
Non-controlling interests		1,914	9,778
		31,463	80,985
Earnings per share for profit attributable to owners of the Company during the period	7		
– Basic		HK8.70 cents	HK6.42 cents
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	(Unaudited) At 30 June 2018 HK\$'000	(Audited) At 31 December 2017 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	100,775	112,240
Deposits for acquisition of property, plant and equipment		68,167	11,013
Intangible assets		187,304	192,643
Available-for-sale financial assets		–	47,835
Investment in associate	9	44,568	–
Other non-current assets		3,230	3,680
Deferred tax assets		40,365	36,190
		444,409	403,601
Current assets			
Inventories		185,322	131,441
Trade and other receivables and deposits	10	502,909	475,387
Financial assets at fair value through profit or loss	19	390	–
Tax recoverable		–	192
Cash and cash equivalents		342,699	424,217
		1,031,320	1,031,237
Current liabilities			
Trade and other payables	11	274,675	255,692
Financial liabilities at fair value through profit or loss	19	–	3,810
Bank borrowings	12	126,890	69,365
Finance lease liabilities	13	335	337
Provisions		21,915	21,912
Provision for taxation		8,919	–
		432,734	351,116
Net current assets		598,586	680,121
Total assets less current liabilities		1,042,995	1,083,722
Non-current liabilities			
Provisions		11,546	11,641
Financial liabilities arising from put option		14,393	14,198
Finance lease liabilities	13	982	1,196
Deferred tax liabilities		7,266	7,865
		34,187	34,900
Net assets		1,008,808	1,048,822
EQUITY			
Share capital	14	7,700	7,700
Reserves		958,588	979,089
Equity attributable to owners of the Company		966,288	986,789
Non-controlling interests		42,520	62,033
Total equity		1,008,808	1,048,822

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	(Unaudited)	
	For the six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Operating activities		
Profit before income tax	90,024	72,238
Adjustments for:		
Share of result of associate	1,195	–
Depreciation	18,150	19,306
Amortisation of intangible asset	1,617	–
Impairment of receivables	3,526	1,669
Equity settled share based payment	–	407
Interest income	(2,374)	(1,539)
Interest expenses	1,432	1,393
(Gain) loss on financial assets/liabilities at fair value through profit and loss	(28)	4,903
Gain on disposal of property, plant and equipment	(5,124)	(2,185)
Loss on deemed disposal of available-for-sale investment	7,451	–
Loss on disposal of subsidiary	–	732
Gain on deregistration of subsidiary	(28,311)	–
Operating profit before working capital changes	87,558	96,924
Increase in inventories	(56,450)	(45,158)
Increase in trade and other receivables	(30,998)	(320)
Increase in trade and other payables and provisions	4,152	25,050
(Decrease) increase in financial assets/liabilities at fair value through profit or loss	(4,172)	4,084
Cash generated from operations	90	80,580
Income taxes paid	(8,528)	(9,499)
Net cash (used in) generated from operating activities	(8,438)	71,081
Investing activities		
Interest received	2,374	1,539
Purchases of property, plant and equipment	(8,453)	(8,255)
Deposit for acquisition of property, plant and equipment	(57,154)	–
Proceeds from disposals of property, plant and equipment	5,244	12,433
Purchase of available-for-sale financial assets	(11,947)	–
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	(69,936)	(38,190)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2018

	(Unaudited)	
	For the six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Financing activities		
Bank borrowings raised	73,640	7,740
Repayment of bank borrowings	(15,225)	(19,541)
Interest on bank borrowings paid	(1,191)	(1,259)
Finance lease raised	–	1,311
Capital element of finance lease liabilities paid	(160)	(203)
Interest element of finance lease payments	(46)	(36)
Dividends paid	(50,050)	(46,200)
Dividends paid to non-controlling interests	(3,572)	(1,541)
Net cash generated from (used in) financing activities	3,396	(59,729)
Net decrease in cash and cash equivalents	(74,978)	(26,838)
Effect of exchange rate fluctuations, net	(6,540)	9,953
Cash and cash equivalents at the beginning of the period	424,217	461,155
Cash and cash equivalents at the end of the period	342,699	444,270
Analysis of balances of cash and cash equivalents		
Bank balances and cash	342,442	444,270
Cash at brokers	257	–
	342,699	444,270

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2018

	Attributable to owners of the Company														Non-controlling interests	Total equity
	Share capital	Share premium	Exchange reserve	Merger reserve	Contributed surplus	Available-for-sale financial assets reserve	Put option Reserve	Statutory reserve	Other reserve	Employee Compensation reserve	Shares held under share award scheme	Proposed final dividend	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2018 (Audited)	7,700	173,078	(17,995)	(136,875)	310,125	5,100	(13,906)	737	(18,645)	407	(5)	50,050	627,018	986,789	62,033	1,048,822
2017 final dividend paid	-	-	-	-	-	-	-	-	-	-	-	(50,050)	-	(50,050)	-	(50,050)
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(21,427)	(21,427)
Transactions with owners	-	-	-	-	-	-	-	-	-	-	-	(50,050)	-	(50,050)	(21,427)	(71,477)
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	66,953	66,953	10,206	77,159
Other comprehensive income																
Currency translation	-	-	(9,389)	-	-	-	-	-	-	-	-	-	-	(9,389)	(1,386)	(10,775)
Release upon deregistration of foreign subsidiary	-	-	(21,405)	-	-	-	-	-	-	-	-	-	-	(21,405)	(6,906)	(28,311)
Fair value loss on available-for-sale financial assets	-	-	-	-	-	(12,551)	-	-	-	-	-	-	-	(12,551)	-	(12,551)
Deemed disposal of available-for-sale financial assets	-	-	-	-	-	7,451	-	-	-	-	-	-	-	7,451	-	7,451
Share of other comprehensive expense of associate	-	-	(1,231)	-	-	-	-	-	(7)	-	-	-	(272)	(1,510)	-	(1,510)
Total comprehensive income for the period	-	-	(32,025)	-	-	(5,100)	-	-	(7)	-	-	-	66,681	29,549	1,914	31,463
Balance at 30 June 2018 (Unaudited)	7,700	173,078	(50,020)	(136,875)	310,125	-	(13,906)	737	(18,652)	407	(5)	-	693,699	966,288	42,520	1,008,808

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)(CONTINUED)

For the six months ended 30 June 2018

	Attributable to owners of the Company												Non-controlling interests	Total equity
	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		
	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 noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-	-	(1,541)	(1,541)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	6,812	6,812
Equity-settled share based payment expense	-	-	-	-	-	-	-	407	-	-	-	407	-	407
Put option granted to noncontrolling shareholder of a subsidiary	-	-	-	-	-	-	(13,906)	-	-	-	-	(13,906)	-	(13,906)
Deemed acquisition of noncontrolling interests	-	-	-	-	-	(3,739)	-	-	-	-	-	(3,739)	(11,779)	(15,518)
Exercise of share option in a subsidiary	-	-	-	-	-	(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

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 2018 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 2017 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 2018.

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	
	2018 (Unaudited)	2017 (Unaudited)
	HK\$'000	HK\$'000
Australia	264,750	264,671
United States of America	290,288	221,277
United Kingdom	123,367	121,179
Spain	48,742	43,005
Mexico	25,446	14,110
Germany	12,380	12,243
New Zealand	8,891	8,821
Singapore	5,591	8,021
Canada	4,971	5,448
Brazil	3,879	2,512
Guatemala	2,828	896
El Salvador	1,231	1,242
Hong Kong (domicile)	344	934
Others	8,153	8,403
	800,861	712,762

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	
	2018 (Unaudited)	2017 (Unaudited)
	HK\$'000	HK\$'000
Reportable segment profit	92,651	74,038
Equity-settled share-based payments	–	(407)
Finance costs	(1,432)	(1,393)
Share of result of associate	(1,195)	–
Profit before income tax	90,024	72,238

4. FINANCE COSTS

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
	HK\$'000	HK\$'000
Interest charges on bank borrowings, which contain a repayment on demand clause, wholly repayable within five years	1,191	1,259
Interest on put option liability	195	98
Finance lease charges	46	36
	1,432	1,393

5. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
	HK\$'000	HK\$'000
Depreciation	18,150	19,306
Amortisation of intangible asset	1,617	–
Employee benefit expenses	157,563	150,615
Equity-settled compensation expense	–	407
Minimum lease payments paid under operating leases in respect of rented premises and production facilities	17,891	14,959
Loss on disposal of subsidiary	–	732
Loss on deemed disposal of available-for-sale investment	7,451	–
(Gain) loss on financial assets at fair value through profit or loss	(28)	4,903
Net foreign exchange loss (gain)	1,709	(6,082)
Gain on disposals of property, plant and equipment	(5,124)	(2,185)
Gain on deregistration of subsidiary	(28,311)	–
Interest income	(2,374)	(1,539)

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	
	2018 (Unaudited)	2017 (Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong profits tax		
– Current year	9,445	6,791
Overseas tax		
– Current year	8,968	7,878
Deferred taxation – current year	(5,548)	1,261
	12,865	15,930

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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	
	2018 (Unaudited)	2017 (Unaudited)
	HK\$'000	HK\$'000
Earnings for the purposes of basic earnings per share for the period	66,953	49,425

	Number of shares ('000)	
	2018	2017
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	769,997	769,997

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 2018								
Cost	12,035	5,062	8,334	61,558	13,302	2,950	303,939	407,180
Accumulated depreciation	(4,106)	(4,811)	(5,225)	(50,042)	(12,077)	(1,977)	(216,702)	(294,940)
Net book amount	7,929	251	3,109	11,516	1,225	973	87,237	112,240
Period ended 30 June 2018								
Opening net book amount	7,929	251	3,109	11,516	1,225	973	87,237	112,240
Exchange differences	(272)	(2)	(27)	(153)	(8)	(7)	(1,179)	(1,648)
Additions	-	59	154	1,555	164	964	5,557	8,453
Disposals	-	-	-	-	-	-	(120)	(120)
Depreciation	(524)	(89)	(358)	(2,025)	(280)	(273)	(14,601)	(18,150)
Closing net book amount	7,133	219	2,878	10,893	1,101	1,657	76,894	100,775
At 30 June 2018								
Cost	11,593	5,115	8,337	62,805	13,373	3,628	287,027	391,878
Accumulated depreciation	(4,460)	(4,896)	(5,459)	(51,912)	(12,272)	(1,971)	(210,133)	(291,103)
Net book amount	7,133	219	2,878	10,893	1,101	1,657	76,894	100,775

At 30 June 2018 and 31 December 2017, the Group's freehold land and buildings were situated in Australia. Net book amount of property, plant and equipment as at 30 June 2018 includes the net carrying amount of HK\$1,326,000 (31 December 2017: HK\$1,473,000) held under finance lease.

9. INVESTMENT IN ASSOCIATE

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Cost of listed investment in associate		
– Listed outside Hong Kong	47,273	–
Share of post-acquisition loss and other comprehensive income	(2,705)	–
	44,568	–
Fair value of listed investment	45,075	–

Investment in associate represents equity share of 19.15% of the interest in The Quarto Group, Inc. ("Quarto"), a company listed on the London Stock Exchange. On 17 May 2018, two of the directors from the Company were appointed as directors of Quarto and the Group has then gained significant influence on Quarto. As a result, the investment was re-classified from available-for-sale investment to investment in associate.

10. 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 2018, based on sales invoice date and net of provisions, is as follows:

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
0 – 30 days	181,035	121,781
31 – 60 days	79,329	83,385
61 – 90 days	110,566	88,729
91 – 120 days	48,946	63,701
121 – 150 days	13,014	50,593
Over 150 days	22,815	37,445
Total trade receivables	455,705	445,634
Less: Provision for impairment	(6,232)	(2,930)
Net trade receivables	449,473	442,704
Other receivables and deposits	53,436	32,683
	502,909	475,387

11. TRADE AND OTHER PAYABLES

As at 30 June 2018, the ageing analysis of trade payables based on invoice date is as follows:

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
0 – 30 days	70,073	58,714
31 – 60 days	29,297	35,244
61 – 90 days	15,808	15,871
91 – 120 days	3,447	1,028
Over 120 days	418	1,699
Total trade payables	119,043	112,556
Other payables and accruals	155,632	143,136
	274,675	255,692

12. BANK BORROWINGS

During the six months ended 30 June 2018, bank borrowing of HK\$73,640,000 was raised (30 June 2017: HK\$7,740,000) and repayments of bank loans amounting to HK\$15,225,000 (30 June 2017: HK\$19,541,000) were made in line with the relevant repayment terms.

All bank borrowings as at 30 June 2018 are secured by the corporate guarantees from the Company.

13. FINANCE LEASE LIABILITIES

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

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Total minimum lease payments:		
Due within one year	408	424
Due in the second to fifth years	1,068	1,321
	1,476	1,745
Future finance charges on finance lease	(159)	(212)
Present value of finance lease liabilities	1,317	1,533
Present value of minimum lease payments:		
Due within one year	335	337
Due in the second to fifth years	982	1,196
	1,317	1,533
Less: Portion due within one year included under current liabilities	(335)	(337)
Non-current portion included under non-current liabilities	982	1,196

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

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

14. SHARE CAPITAL

	No. of shares (‘000)	Amount HK\$‘000
Authorised:		
Ordinary shares of HK\$0.01 each	1,000,000	10,000
Issued and fully paid:		
At 1 January 2018 and 30 June 2018	770,000	7,700

15. CAPITAL COMMITMENTS

As at 30 June 2018, the Group had capital commitment contracted but not provided for in respect of the acquisition of property, plant and equipment of approximately HK\$11,841,000 (31 December 2017: HK\$45,576,000).

16. DIVIDENDS

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

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
	HK\$'000	HK\$'000
Final dividend in respect of the year ended 31 December 2017, approved and paid during the interim period of HK\$0.065 (2017: HK\$0.045) per share	50,050	34,650
Special dividend in respect of the year ended 31 December 2016, approved and paid during the interim period of HK\$0.015 per share	–	11,550
	50,050	46,200

(b) Dividends attributable to the interim period

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
	HK\$'000	HK\$'000
Interim dividends declared – HK\$0.030 (2017: HK\$0.030) per share (Note)	23,100	23,100

Note:

The amount of the interim dividend declared for the six months ended 30 June 2018, 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 2018.

17. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
	HK\$'000	HK\$'000
Trade receivables from associate	45,143	–
Printing income from associate (Note)	12,539	–

Note: Amount represented printing income from associate since the Group obtained significant influence on the entity as stated in note 9.

(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.

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
	HK\$'000	HK\$'000
Short-term remuneration	3,690	4,018
Post-employment benefit	84	82
	3,774	4,100

18. CONTINGENT LIABILITIES

As at 30 June 2018, the Group had no significant contingent liabilities (31 December 2017: Nil).

19. FAIR VALUE MEASUREMENT

(i) Recurring fair value measurements

	At 30 June 2018 (unaudited)		At 31 December 2017 (audited)	
	Level 1	Level 2	Level 1	Level 2
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Available-for-sale financial assets				
Equity securities listed in United Kingdom at fair value	–	–	47,835	–
Net fair values	–	–	47,835	–
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	–	390	–	–
Net fair values	–	390	–	–
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	–	–	–	3,810
Net fair values	–	–	–	3,810

(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 2018 and 31 December 2017.

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

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. As at 30 June 2018, 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 2018, Preferable Situation Assets Limited is 100% directly owned by Mr. Webb David Michael and therefore Mr. Webb is deemed to be interested in the said shares held by Preferable Situation Assets Limited.

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

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, administering 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 2018, no share award was granted and no shares were purchased under the 1010 Share Award Scheme. At 30 June 2018, 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 2018, 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 2018, 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 2018.

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 2018.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2018, the Group had around 1,224 full-time employees (30 June 2017: 1,336). 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 (2017: HK\$0.030) per ordinary share for the six months ended 30 June 2018 to shareholders whose names appear on the register of holders of ordinary shares of the Company as at the close of business on 10 September 2018. The register of shareholders will be closed on 10 September 2018, 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 7 September 2018. The dividend is expected to be paid on 24 September 2018.

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 2018 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 2018

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. Li Hoi, David
Mr. Guo Junsheng

Independent Non-Executive Directors

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

COMPANY SECRETARY

Ms. Tan Lai Ming *FCPA, FCCA*

COMPLIANCE OFFICER

Mr. Lau Chuk Kin

AUTHORISED REPRESENTATIVES

Ms. Lam Mei Lan
Ms. Tan Lai Ming

BERMUDA RESIDENT REPRESENTATIVE

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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SHARE REGISTRARS AND TRANSFER OFFICES

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