

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



**LION ROCK GROUP LIMITED**

獅子山集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock code: 1127)

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

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 2020 together with the comparative unaudited figures for the corresponding period in 2019 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

|                                 |       | (Unaudited)      |           |
|---------------------------------|-------|------------------|-----------|
|                                 |       | Six months ended |           |
|                                 |       | 30 June          |           |
|                                 |       | 2020             | 2019      |
|                                 | Notes | HK\$'000         | HK\$'000  |
| <b>Revenue</b>                  | 3     | <b>638,820</b>   | 841,434   |
| Direct operating costs          |       | <b>(475,088)</b> | (606,061) |
| <b>Gross profit</b>             |       | <b>163,732</b>   | 235,373   |
| Other income                    |       | <b>32,585</b>    | 19,827    |
| Selling and distribution costs  |       | <b>(80,497)</b>  | (99,299)  |
| Administrative expenses         |       | <b>(50,459)</b>  | (50,142)  |
| Other expenses                  |       | <b>(5,496)</b>   | (3,148)   |
| Finance costs                   | 4     | <b>(7,366)</b>   | (7,830)   |
| Share of result of associate    |       | <b>(8,715)</b>   | (4,553)   |
| <b>Profit before income tax</b> | 5     | <b>43,784</b>    | 90,228    |
| Income tax expense              | 6     | <b>(10,761)</b>  | (16,939)  |
| <b>Profit for the period</b>    |       | <b>33,023</b>    | 73,289    |

\* For identification purpose only

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2020 (CONTINUED)**

|                                                                                              |              | (Unaudited)<br>Six months ended<br>30 June |                         |
|----------------------------------------------------------------------------------------------|--------------|--------------------------------------------|-------------------------|
|                                                                                              | <i>Notes</i> | 2020<br><i>HK\$'000</i>                    | 2019<br><i>HK\$'000</i> |
| <b>Other comprehensive income</b>                                                            |              |                                            |                         |
| <b>Items that may be reclassified subsequently to profit or loss:</b>                        |              |                                            |                         |
| Exchange loss on translation of financial statements of foreign operations                   |              | (13,719)                                   | (10,685)                |
| Share of other comprehensive income of associate                                             |              | (3,913)                                    | (248)                   |
| <b>Other comprehensive income for the period, net of tax</b>                                 |              | <b>(17,632)</b>                            | <b>(10,933)</b>         |
| <b>Total comprehensive income for the period</b>                                             |              | <b>15,391</b>                              | <b>62,356</b>           |
| <br>                                                                                         |              |                                            |                         |
| <b>Profit for the period attributable to:</b>                                                |              |                                            |                         |
| Owners of the Company                                                                        |              | 29,311                                     | 64,101                  |
| Non-controlling interests                                                                    |              | 3,712                                      | 9,188                   |
|                                                                                              |              | <b>33,023</b>                              | <b>73,289</b>           |
| <br>                                                                                         |              |                                            |                         |
| <b>Total comprehensive income attributable to:</b>                                           |              |                                            |                         |
| Owners of the Company                                                                        |              | 14,622                                     | 56,260                  |
| Non-controlling interests                                                                    |              | 769                                        | 6,096                   |
|                                                                                              |              | <b>15,391</b>                              | <b>62,356</b>           |
| <br>                                                                                         |              |                                            |                         |
| <b>Earnings per share for profit attributable to owners of the Company during the period</b> | 7            |                                            |                         |
| - Basic                                                                                      |              | <b>HK3.81 cents</b>                        | HK8.32 cents            |
| - Diluted                                                                                    |              | N/A                                        | N/A                     |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

|                                                            |              | (Unaudited)<br>At 30 June<br>2020<br>HK\$'000 | (Audited)<br>At 31 December<br>2019<br>HK\$'000 |
|------------------------------------------------------------|--------------|-----------------------------------------------|-------------------------------------------------|
|                                                            | <i>Notes</i> |                                               |                                                 |
| <b>ASSETS AND LIABILITIES</b>                              |              |                                               |                                                 |
| <b>Non-current assets</b>                                  |              |                                               |                                                 |
| Property, plant and equipment                              | 8            | 206,401                                       | 198,591                                         |
| Deposits for acquisition of property, plant and equipment  |              | 5,884                                         | 1,034                                           |
| Right-of-use assets                                        | 9            | 83,275                                        | 85,976                                          |
| Intangible assets                                          | 17           | 190,613                                       | 175,181                                         |
| Interest in associate                                      | 10           | 108,102                                       | 67,215                                          |
| Loan to associate                                          |              | 53,180                                        | -                                               |
| Lease receivables                                          |              | -                                             | 1,220                                           |
| Deferred tax assets                                        |              | 25,017                                        | 28,337                                          |
|                                                            |              | <u>672,472</u>                                | <u>557,554</u>                                  |
| <b>Current assets</b>                                      |              |                                               |                                                 |
| Inventories                                                |              | 186,529                                       | 174,591                                         |
| Trade and other receivables and deposits                   | 11           | 501,454                                       | 468,034                                         |
| Loan to associate                                          |              | -                                             | 53,390                                          |
| Lease receivable                                           |              | 1,255                                         | 3,559                                           |
| Pledged deposits                                           |              | 5,649                                         | 5,650                                           |
| Cash and cash equivalents                                  |              | 364,676                                       | 495,707                                         |
|                                                            |              | <u>1,059,563</u>                              | <u>1,200,931</u>                                |
| <b>Current liabilities</b>                                 |              |                                               |                                                 |
| Trade and other payables                                   | 12           | 195,009                                       | 197,621                                         |
| Bank borrowings                                            | 13           | 231,325                                       | 214,775                                         |
| Lease liabilities                                          |              | 27,488                                        | 29,064                                          |
| Provisions                                                 |              | 18,541                                        | 22,286                                          |
| Financial liabilities at fair value through profit or loss |              | 1,987                                         | 47                                              |
| Financial liabilities arising from put option              |              | 15,172                                        | -                                               |
| Provision for taxation                                     |              | 5,621                                         | 23,463                                          |
|                                                            |              | <u>495,143</u>                                | <u>487,256</u>                                  |
| <b>Net current assets</b>                                  |              | <u>564,420</u>                                | <u>713,675</u>                                  |
| <b>Total assets less current liabilities</b>               |              | <u>1,236,892</u>                              | <u>1,271,229</u>                                |
| <b>Non-current liabilities</b>                             |              |                                               |                                                 |
| Other payable                                              |              | 3,019                                         | -                                               |
| Financial liabilities arising from put option              |              | -                                             | 14,977                                          |
| Provisions                                                 |              | 3,820                                         | 1,831                                           |
| Lease liabilities                                          |              | 63,892                                        | 68,188                                          |
| Deferred tax liabilities                                   |              | 10,746                                        | 9,303                                           |
|                                                            |              | <u>81,477</u>                                 | <u>94,299</u>                                   |
| <b>Net assets</b>                                          |              | <u>1,155,415</u>                              | <u>1,176,930</u>                                |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020 (CONTINUED)**

|                                                     |              | (Unaudited)<br>At 30 June<br>2020<br><i>HK\$'000</i> | (Audited)<br>At 31 December<br>2019<br><i>HK\$'000</i> |
|-----------------------------------------------------|--------------|------------------------------------------------------|--------------------------------------------------------|
|                                                     | <i>Notes</i> |                                                      |                                                        |
| <b>EQUITY</b>                                       |              |                                                      |                                                        |
| Share capital                                       | 14           | 7,700                                                | 7,700                                                  |
| Reserves                                            |              | 1,034,896                                            | 1,073,788                                              |
| <b>Equity attributable to owners of the Company</b> |              | <u>1,042,596</u>                                     | <u>1,081,488</u>                                       |
| <b>Non-controlling interests</b>                    |              | 112,819                                              | 95,442                                                 |
| <b>Total equity</b>                                 |              | <u>1,155,415</u>                                     | <u>1,176,930</u>                                       |

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

|                                                                                 | (Unaudited)              |          |
|---------------------------------------------------------------------------------|--------------------------|----------|
|                                                                                 | For the six months ended |          |
|                                                                                 | 30 June                  |          |
|                                                                                 | 2020                     | 2019     |
|                                                                                 | HK\$'000                 | HK\$'000 |
| Operating activities                                                            |                          |          |
| Profit before income tax                                                        | 43,784                   | 90,228   |
| Adjustments for:                                                                |                          |          |
| Share of result of associate                                                    | 8,715                    | 4,553    |
| Depreciation of property, plant and equipment                                   | 20,259                   | 16,785   |
| Amortisation of right-of-use assets                                             | 14,286                   | 11,446   |
| Amortisation of intangible asset                                                | 809                      | 1,617    |
| Impairment of receivables                                                       | 5,496                    | 3,148    |
| Interest income                                                                 | (2,222)                  | (4,371)  |
| Interest expenses                                                               | 7,366                    | 7,830    |
| Gain on financial liabilities at fair value through profit and loss             | (389)                    | (690)    |
| Gain on disposal of property, plant and equipment                               | (79)                     | (1,357)  |
|                                                                                 | <hr/>                    | <hr/>    |
| Operating profit before working capital changes                                 | 98,025                   | 129,189  |
| Increase in inventories                                                         | (14,921)                 | (5,472)  |
| Increase in trade and other receivables                                         | (42,256)                 | (16,401) |
| (Decrease) increase in trade and other payables and provisions                  | (16,256)                 | 15,762   |
| Increase in financial assets/ liabilities at fair value through profit or loss  | 2,329                    | 1,156    |
|                                                                                 | <hr/>                    | <hr/>    |
| Cash generated from operations                                                  | 26,921                   | 124,234  |
| Income taxes paid                                                               | (27,058)                 | (13,231) |
|                                                                                 | <hr/>                    | <hr/>    |
| Net cash (used in) generated from operating activities                          | (137)                    | 111,003  |
| Investing activities                                                            |                          |          |
| Interest received                                                               | 2,222                    | 4,371    |
| Increase in pledged deposits                                                    | (159)                    | -        |
| Purchases of property, plant and equipment                                      | (5,114)                  | (51,365) |
| (Increase) decrease in deposit for acquisition of property, plant and equipment | (4,977)                  | 29,646   |
| Proceeds from disposals of property, plant and equipment                        | 79                       | 1,671    |
| Proceeds from lease receivables                                                 | 749                      | 1,692    |
| Additional investment in associate                                              | (53,285)                 | (6,881)  |
| Acquisition of a subsidiary, net of cash acquired (note 17)                     | (25,582)                 | -        |
| Purchase of additional interest in subsidiary                                   | -                        | (22,200) |
|                                                                                 | <hr/>                    | <hr/>    |
| Net cash used in investing activities                                           | (86,067)                 | (43,066) |
|                                                                                 | <hr/>                    | <hr/>    |

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2020 (CONTINUED)**

|                                                          | (Unaudited)              |                 |
|----------------------------------------------------------|--------------------------|-----------------|
|                                                          | For the six months ended |                 |
|                                                          | 30 June                  |                 |
|                                                          | 2020                     | 2019            |
|                                                          | <i>HK\$'000</i>          | <i>HK\$'000</i> |
| Financing activities                                     |                          |                 |
| Bank borrowings raised                                   | <b>75,000</b>            | -               |
| Repayment of bank borrowings                             | <b>(58,450)</b>          | (14,765)        |
| Interest on bank borrowings paid                         | <b>(4,991)</b>           | (5,682)         |
| Repayment of principal portion of lease liabilities      | <b>(14,547)</b>          | (12,522)        |
| Interest paid on lease liabilities                       | <b>(2,180)</b>           | (1,953)         |
| Dividends paid                                           | <b>(30,800)</b>          | (53,900)        |
| Dividends paid to non-controlling interests              | <b>(8,119)</b>           | (9,619)         |
| Capital injection from non-controlling shareholder       | <b>2,013</b>             | -               |
|                                                          | _____                    | _____           |
| Net cash used in financing activities                    | <b>(42,074)</b>          | (98,441)        |
|                                                          | _____                    | _____           |
| Net decrease in cash and cash equivalents                | <b>(128,278)</b>         | (30,504)        |
| Effect of exchange rate fluctuations, net                | <b>(2,753)</b>           | (4,097)         |
| Cash and cash equivalents at the beginning of the period | <b>495,707</b>           | 508,321         |
|                                                          | _____                    | _____           |
| Cash and cash equivalents at the end of the period       | <b>364,676</b>           | 473,720         |
|                                                          | =====                    | =====           |
| Analysis of balances of cash and cash equivalents        |                          |                 |
| Bank balances and cash                                   | <b>363,971</b>           | 469,546         |
| Cash at brokers                                          | <b>705</b>               | 4,174           |
|                                                          | _____                    | _____           |
|                                                          | <b>364,676</b>           | 473,720         |
|                                                          | =====                    | =====           |

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

|                                                    | Attributable to owners of the Company |                            |                               |                             |                                  |                                 |                                |                            |                                                   |                                      |                                |                    | Non-controlling interests | Total equity     |
|----------------------------------------------------|---------------------------------------|----------------------------|-------------------------------|-----------------------------|----------------------------------|---------------------------------|--------------------------------|----------------------------|---------------------------------------------------|--------------------------------------|--------------------------------|--------------------|---------------------------|------------------|
|                                                    | Share capital<br>HK\$ '000            | Share premium<br>HK\$ '000 | Exchange reserve<br>HK\$ '000 | Merger reserve<br>HK\$ '000 | Contributed surplus<br>HK\$ '000 | Put option Reserve<br>HK\$ '000 | Statutory reserve<br>HK\$ '000 | Other reserve<br>HK\$ '000 | Shares held under share award scheme<br>HK\$ '000 | Proposed final dividend<br>HK\$ '000 | Retained earnings<br>HK\$ '000 | Total<br>HK\$ '000 | HK\$ '000                 | HK\$ '000        |
| <b>Balance at 1 January 2020</b>                   | <b>7,700</b>                          | <b>173,078</b>             | <b>(80,595)</b>               | <b>(136,875)</b>            | <b>310,125</b>                   | <b>(13,906)</b>                 | <b>737</b>                     | <b>422</b>                 | <b>(5)</b>                                        | <b>30,800</b>                        | <b>790,007</b>                 | <b>1,081,488</b>   | <b>95,442</b>             | <b>1,176,930</b> |
| 2019 final dividend paid (Note 16)                 | -                                     | -                          | -                             | -                           | -                                | -                               | -                              | -                          | -                                                 | (30,800)                             | -                              | (30,800)           | -                         | (30,800)         |
| Distribution of shares in a subsidiary (Note 16)   | -                                     | -                          | -                             | -                           | -                                | -                               | -                              | (2,983)                    | -                                                 | -                                    | (19,731)                       | (22,714)           | 22,714                    | -                |
| Dividends paid to non-controlling interest         | -                                     | -                          | -                             | -                           | -                                | -                               | -                              | -                          | -                                                 | -                                    | -                              | -                  | (8,119)                   | (8,119)          |
| Capital injection from non-controlling shareholder | -                                     | -                          | -                             | -                           | -                                | -                               | -                              | -                          | -                                                 | -                                    | -                              | -                  | 2,013                     | 2,013            |
| <b>Transactions with owners</b>                    | <b>-</b>                              | <b>-</b>                   | <b>-</b>                      | <b>-</b>                    | <b>-</b>                         | <b>-</b>                        | <b>-</b>                       | <b>(2,983)</b>             | <b>-</b>                                          | <b>(30,800)</b>                      | <b>(19,731)</b>                | <b>(53,514)</b>    | <b>16,608</b>             | <b>(36,906)</b>  |
| Profit for the period                              | -                                     | -                          | -                             | -                           | -                                | -                               | -                              | -                          | -                                                 | -                                    | 29,311                         | 29,311             | 3,712                     | 33,023           |
| <b>Other comprehensive income</b>                  |                                       |                            |                               |                             |                                  |                                 |                                |                            |                                                   |                                      |                                |                    |                           |                  |
| Currency translation                               | -                                     | -                          | (10,776)                      | -                           | -                                | -                               | -                              | -                          | -                                                 | -                                    | -                              | (10,776)           | (2,943)                   | (13,719)         |
| Share of other comprehensive expense of associate  | -                                     | -                          | (3,957)                       | -                           | -                                | -                               | -                              | -                          | -                                                 | -                                    | 44                             | (3,913)            | -                         | (3,913)          |
| <b>Total comprehensive income for the period</b>   | <b>-</b>                              | <b>-</b>                   | <b>(14,733)</b>               | <b>-</b>                    | <b>-</b>                         | <b>-</b>                        | <b>-</b>                       | <b>-</b>                   | <b>-</b>                                          | <b>-</b>                             | <b>29,355</b>                  | <b>14,622</b>      | <b>769</b>                | <b>15,391</b>    |
| <b>Balance at 30 June 2020 (Unaudited)</b>         | <b>7,700</b>                          | <b>173,078</b>             | <b>(95,328)</b>               | <b>(136,875)</b>            | <b>310,125</b>                   | <b>(13,906)</b>                 | <b>737</b>                     | <b>(2,561)</b>             | <b>(5)</b>                                        | <b>-</b>                             | <b>799,631</b>                 | <b>1,042,596</b>   | <b>112,819</b>            | <b>1,155,415</b> |

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020 (CONTINUED)**

|                                                   | Attributable to owners of the Company |                            |                               |                             |                                  |                                 |                                |                            |                                                   |                                      |                                |                    | Non-controlling interests | Total equity     |
|---------------------------------------------------|---------------------------------------|----------------------------|-------------------------------|-----------------------------|----------------------------------|---------------------------------|--------------------------------|----------------------------|---------------------------------------------------|--------------------------------------|--------------------------------|--------------------|---------------------------|------------------|
|                                                   | Share capital<br>HK\$ '000            | Share premium<br>HK\$ '000 | Exchange reserve<br>HK\$ '000 | Merger reserve<br>HK\$ '000 | Contributed surplus<br>HK\$ '000 | Put option Reserve<br>HK\$ '000 | Statutory reserve<br>HK\$ '000 | Other reserve<br>HK\$ '000 | Shares held under share award scheme<br>HK\$ '000 | Proposed final dividend<br>HK\$ '000 | Retained earnings<br>HK\$ '000 | Total<br>HK\$ '000 |                           |                  |
| <b>Balance at 1 January 2019</b>                  | <b>7,700</b>                          | <b>173,078</b>             | <b>(68,542)</b>               | <b>(136,875)</b>            | <b>310,125</b>                   | <b>(13,906)</b>                 | <b>737</b>                     | <b>6,421</b>               | <b>(5)</b>                                        | <b>53,900</b>                        | <b>705,188</b>                 | <b>1,037,821</b>   | <b>117,378</b>            | <b>1,155,199</b> |
| 2018 final dividend paid (Note 16)                | -                                     | -                          | -                             | -                           | -                                | -                               | -                              | -                          | -                                                 | (53,900)                             | -                              | (53,900)           | -                         | (53,900)         |
| Dividends paid to non-controlling interest        | -                                     | -                          | -                             | -                           | -                                | -                               | -                              | -                          | -                                                 | -                                    | -                              | -                  | (9,619)                   | (9,619)          |
| Purchase of additional interest in subsidiary     | -                                     | -                          | -                             | -                           | -                                | -                               | -                              | (5,995)                    | -                                                 | -                                    | -                              | (5,995)            | (16,205)                  | (22,200)         |
| <b>Transactions with owners</b>                   | <b>-</b>                              | <b>-</b>                   | <b>-</b>                      | <b>-</b>                    | <b>-</b>                         | <b>-</b>                        | <b>-</b>                       | <b>(5,995)</b>             | <b>-</b>                                          | <b>(53,900)</b>                      | <b>-</b>                       | <b>(59,895)</b>    | <b>(25,824)</b>           | <b>(85,719)</b>  |
| Profit for the period                             | -                                     | -                          | -                             | -                           | -                                | -                               | -                              | -                          | -                                                 | -                                    | 64,101                         | 64,101             | 9,188                     | 73,289           |
| <b>Other comprehensive income</b>                 |                                       |                            |                               |                             |                                  |                                 |                                |                            |                                                   |                                      |                                |                    |                           |                  |
| Currency translation                              | -                                     | -                          | (7,593)                       | -                           | -                                | -                               | -                              | -                          | -                                                 | -                                    | -                              | (7,593)            | (3,092)                   | (10,685)         |
| Share of other comprehensive expense of associate | -                                     | -                          | (206)                         | -                           | -                                | -                               | -                              | -                          | -                                                 | -                                    | (42)                           | (248)              | -                         | (248)            |
| <b>Total comprehensive income for the period</b>  | <b>-</b>                              | <b>-</b>                   | <b>(7,799)</b>                | <b>-</b>                    | <b>-</b>                         | <b>-</b>                        | <b>-</b>                       | <b>-</b>                   | <b>-</b>                                          | <b>-</b>                             | <b>64,059</b>                  | <b>56,260</b>      | <b>6,096</b>              | <b>62,356</b>    |
| <b>Balance at 30 June 2019 (Unaudited)</b>        | <b>7,700</b>                          | <b>173,078</b>             | <b>(76,341)</b>               | <b>(136,875)</b>            | <b>310,125</b>                   | <b>(13,906)</b>                 | <b>737</b>                     | <b>426</b>                 | <b>(5)</b>                                        | <b>-</b>                             | <b>769,247</b>                 | <b>1,034,186</b>   | <b>97,650</b>             | <b>1,131,836</b> |



## **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 2020 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with 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 2019 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 2020.

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:

|                          | <b>Six months ended 30 June</b> |                    |
|--------------------------|---------------------------------|--------------------|
|                          | <b>2020</b>                     | <b>2019</b>        |
|                          | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
|                          | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
| United States of America | <b>233,858</b>                  | 304,901            |
| Australia                | <b>227,362</b>                  | 274,308            |
| United Kingdom           | <b>83,594</b>                   | 138,057            |
| Spain                    | <b>38,053</b>                   | 48,700             |
| Mexico                   | <b>18,482</b>                   | 25,295             |
| Germany                  | <b>10,989</b>                   | 15,784             |
| New Zealand              | <b>4,310</b>                    | 7,712              |
| Singapore                | <b>2,967</b>                    | 7,175              |
| Canada                   | <b>3,110</b>                    | 5,082              |
| Chile                    | <b>3,111</b>                    | 1,163              |
| Hong Kong (domicile)     | <b>156</b>                      | 376                |
| Others                   | <b>12,828</b>                   | 12,881             |
|                          | <b>638,820</b>                  | 841,434            |

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:

|                              | <b>Six months ended 30 June</b> |                    |
|------------------------------|---------------------------------|--------------------|
|                              | <b>2020</b>                     | <b>2019</b>        |
|                              | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
|                              | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
| Reportable segment profit    | <b>59,865</b>                   | 102,611            |
| Finance costs                | <b>(7,366)</b>                  | (7,830)            |
| Share of result of associate | <b>(8,715)</b>                  | (4,553)            |
| Profit before income tax     | <b>43,784</b>                   | 90,228             |

#### 4. Finance costs

|                                                                                                                     | <b>Six months ended 30 June</b> |                    |
|---------------------------------------------------------------------------------------------------------------------|---------------------------------|--------------------|
|                                                                                                                     | <b>2020</b>                     | <b>2019</b>        |
|                                                                                                                     | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
|                                                                                                                     | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
| Interest charges on bank borrowings, which contain a repayment on demand clause, wholly repayable within five years | <b>4,991</b>                    | 5,682              |
| Interest on put option liability                                                                                    | <b>195</b>                      | 195                |
| Interest on lease liabilities                                                                                       | <b>2,180</b>                    | 1,953              |
|                                                                                                                     | <b>7,366</b>                    | 7,830              |

#### 5. Profit before income tax

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

|                                                                    | <b>Six months ended 30 June</b> |                    |
|--------------------------------------------------------------------|---------------------------------|--------------------|
|                                                                    | <b>2020</b>                     | <b>2019</b>        |
|                                                                    | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
|                                                                    | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
| Depreciation of property, plant and equipment                      | <b>20,259</b>                   | 16,785             |
| Amortisation of right-of-use assets                                | <b>14,286</b>                   | 11,446             |
| Amortisation of intangible asset                                   | <b>809</b>                      | 1,617              |
| Employee benefit expenses                                          | <b>135,725</b>                  | 157,779            |
| Gain on financial liabilities at fair value through profit or loss | <b>(389)</b>                    | (690)              |
| Net foreign exchange gain                                          | <b>(2,805)</b>                  | (1,952)            |
| Gain on disposals of property, plant and equipment                 | <b>(79)</b>                     | (1,357)            |
| Interest income                                                    | <b>(2,222)</b>                  | (4,371)            |



## 8. Property, plant and equipment

|                                        | Land and<br>buildings<br><i>HK\$'000</i> | Furniture<br>and<br>fixtures<br><i>HK\$'000</i> | Office<br>equipment<br><i>HK\$'000</i> | Leasehold<br>improve-<br>ments<br><i>HK\$'000</i> | Computer<br>equipment<br>and<br>systems<br><i>HK\$'000</i> | Motor<br>vehicles<br><i>HK\$'000</i> | Machinery<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|----------------------------------------|------------------------------------------|-------------------------------------------------|----------------------------------------|---------------------------------------------------|------------------------------------------------------------|--------------------------------------|------------------------------|--------------------------|
| At 1 January 2020                      |                                          |                                                 |                                        |                                                   |                                                            |                                      |                              |                          |
| Cost                                   | 10,730                                   | 4,980                                           | 9,323                                  | 64,807                                            | 14,191                                                     | 5,346                                | 401,187                      | 510,564                  |
| Accumulated<br>depreciation            | (5,534)                                  | (4,884)                                         | (6,190)                                | (55,246)                                          | (13,159)                                                   | (2,786)                              | (224,174)                    | (311,973)                |
| Net book amount                        | 5,196                                    | 96                                              | 3,133                                  | 9,561                                             | 1,032                                                      | 2,560                                | 177,013                      | 198,591                  |
| Period ended 30 June<br>2020           |                                          |                                                 |                                        |                                                   |                                                            |                                      |                              |                          |
| Opening net book<br>amount             | 5,196                                    | 96                                              | 3,133                                  | 9,561                                             | 1,032                                                      | 2,560                                | 177,013                      | 198,591                  |
| Acquisition of<br>subsidiary (note 17) | 15,468                                   | 600                                             | -                                      | -                                                 | 12                                                         | -                                    | 10,412                       | 26,492                   |
| Exchange differences                   | (266)                                    | (9)                                             | (72)                                   | (75)                                              | (27)                                                       | (35)                                 | (3,053)                      | (3,537)                  |
| Additions                              | -                                        | 17                                              | 106                                    | -                                                 | 202                                                        | 290                                  | 4,499                        | 5,114                    |
| Disposals                              | -                                        | -                                               | -                                      | -                                                 | -                                                          | -                                    | -                            | -                        |
| Depreciation                           | (525)                                    | (67)                                            | (341)                                  | (1,534)                                           | (366)                                                      | (386)                                | (17,040)                     | (20,259)                 |
| Closing net book<br>amount             | 19,873                                   | 637                                             | 2,826                                  | 7,952                                             | 853                                                        | 2,429                                | 171,831                      | 206,401                  |
| At 30 June 2020                        |                                          |                                                 |                                        |                                                   |                                                            |                                      |                              |                          |
| Cost                                   | 25,705                                   | 5,583                                           | 9,234                                  | 64,452                                            | 13,885                                                     | 5,073                                | 406,160                      | 530,092                  |
| Accumulated<br>depreciation            | (5,832)                                  | (4,946)                                         | (6,408)                                | (56,500)                                          | (13,032)                                                   | (2,644)                              | (234,329)                    | (323,691)                |
| Net book amount                        | 19,873                                   | 637                                             | 2,826                                  | 7,952                                             | 853                                                        | 2,429                                | 171,831                      | 206,401                  |

Land and buildings as at 30 June 2020 included freehold land and buildings of approximately HK\$4,668,000 (31 December 2019: HK\$5,196,000) situated in Australia and right-of-use assets arising from leasehold land and buildings which is held for own use located in Malaysia, of approximately HK\$15,205,000 (31 December 2019: Nil).

## 9. Right-of-use assets

|                     | Leased<br>properties<br><i>HK\$'000</i> | Plant and<br>equipment<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---------------------|-----------------------------------------|-------------------------------------------|--------------------------|
| At 1 January 2020   | 83,255                                  | 2,721                                     | 85,976                   |
| At 30 June 2020     | 81,046                                  | 2,229                                     | 83,275                   |
| Amortisation charge | 13,655                                  | 631                                       | 14,286                   |

## 10. Interest in associate

|                                         | <b>At 30 June<br/>2020<br/>(Unaudited)<br/>HK\$'000</b> | At 31 December<br>2019<br>(Audited)<br>HK\$'000 |
|-----------------------------------------|---------------------------------------------------------|-------------------------------------------------|
| Share of net assets other than goodwill | <b>37,155</b>                                           | 7,310                                           |
| Goodwill                                | <b>70,947</b>                                           | 59,905                                          |
|                                         | <b><u>108,102</u></b>                                   | <u>67,215</u>                                   |

In February 2020, the Group subscribed for an additional 7,720,154 shares in The Quarto Group, Inc. (“Quarto”) through an open offer and underwriting of shares in Quarto. Total payment made by the Group was approximately HK\$53,285,000. As a result of the subscription of shares, the Group’s equity interest in Quarto increased from 25.4% to 31.6%.

## 11. Trade and other receivables and deposits

The Group generally allows a credit period from 30 to 180 days to its trade customers. Ageing analysis of trade receivables as at 30 June 2020, based on sales invoice date, is as follows:

|                                | <b>At 30 June<br/>2020<br/>(Unaudited)<br/>HK\$'000</b> | At 31 December<br>2019<br>(Audited)<br>HK\$'000 |
|--------------------------------|---------------------------------------------------------|-------------------------------------------------|
| 0 - 30 days                    | <b>133,718</b>                                          | 106,468                                         |
| 31 - 60 days                   | <b>104,712</b>                                          | 84,465                                          |
| 61 - 90 days                   | <b>92,358</b>                                           | 65,132                                          |
| 91 - 120 days                  | <b>49,820</b>                                           | 55,908                                          |
| 121 - 150 days                 | <b>7,467</b>                                            | 38,906                                          |
| Over 150 days                  | <b>78,153</b>                                           | 77,411                                          |
| Total trade receivables        | <b><u>466,228</u></b>                                   | <u>428,290</u>                                  |
| Less: Provision for impairment | <b><u>(12,133)</u></b>                                  | <u>(6,981)</u>                                  |
| Net trade receivables          | <b>454,095</b>                                          | 421,309                                         |
| Other receivables and deposits | <b>47,359</b>                                           | 46,725                                          |
|                                | <b><u>501,454</u></b>                                   | <u>468,034</u>                                  |

## 12. Trade and other payables

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

|                             | <b>At 30 June<br/>2020<br/>(Unaudited)<br/>HK\$'000</b> | At 31 December<br>2019<br>(Audited)<br>HK\$'000 |
|-----------------------------|---------------------------------------------------------|-------------------------------------------------|
| 0 - 30 days                 | 49,897                                                  | 54,006                                          |
| 31 - 60 days                | 22,346                                                  | 21,083                                          |
| 61 - 90 days                | 8,767                                                   | 12,782                                          |
| 91 - 120 days               | 450                                                     | 602                                             |
| Over 120 days               | 210                                                     | 215                                             |
| Total trade payables        | <u>81,670</u>                                           | <u>88,688</u>                                   |
| Other payables and accruals | <u>113,339</u>                                          | <u>108,933</u>                                  |
|                             | <u><b>195,009</b></u>                                   | <u><b>197,621</b></u>                           |

## 13. Bank borrowings

|                                                                                           | <b>At 30 June<br/>2020<br/>(Unaudited)<br/>HK\$'000</b> | At 31 December<br>2019<br>(Audited)<br>HK\$'000 |
|-------------------------------------------------------------------------------------------|---------------------------------------------------------|-------------------------------------------------|
| Bank loans due for repayment within one year                                              | 128,500                                                 | 106,850                                         |
| Bank loans due for repayment after one year which<br>contain a repayment on demand clause | 102,825                                                 | 107,925                                         |
| Total bank borrowings                                                                     | <u>231,325</u>                                          | <u>214,775</u>                                  |

All bank borrowings as at 30 June 2020 are secured by the corporate guarantees from the Company.

## 14. Share capital

|                                                           | <b>No. of shares<br/>( '000)</b> | <b>Amount<br/>HK\$ '000</b> |
|-----------------------------------------------------------|----------------------------------|-----------------------------|
| Authorised: Ordinary shares of HK\$0.01 each              | 1,500,000                        | 15,000                      |
| Issued and fully paid: At 1 January 2020 and 30 June 2020 | <u><b>770,000</b></u>            | <u><b>7,700</b></u>         |

## 15. Capital commitments

As at 30 June 2020, the Group had capital commitment contracted but not provided for in respect of the acquisition of property, plant and equipment of approximately HK\$10,911,000 (31 December 2019: HK\$519,000).

## 16. Dividends and distribution

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

|                                                                                                                                                 | Six months ended 30 June        |                                 |
|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
|                                                                                                                                                 | 2020<br>(Unaudited)<br>HK\$'000 | 2019<br>(Unaudited)<br>HK\$'000 |
| Final dividend in respect of the year ended 31 December 2019, approved and paid during the interim period of HK\$0.04 (2019:HK\$0.07) per share | 30,800                          | 53,900                          |
| Distribution of shares in a subsidiary ( <i>Note</i> )                                                                                          | 19,731                          | -                               |
|                                                                                                                                                 | <u>50,531</u>                   | <u>53,900</u>                   |

*Note:*

On 13 March 2020, the directors proposed to distribute Left Field Printing Group Limited shares in specie to shareholders on the basis of 1 share in Left Field Printing Group Limited (“Left Field”) for every 16 shares of the Company held by a shareholder (“Distribution”). The Distribution was completed on 3 June 2020 with a total of 48,124,780 shares of Left Field distributed. As a result of the Distribution, the Group’s equity interest in Left Field decreased from 68.0% to 58.5%.

The Distribution was accounted as follows:

|                                                         |                |
|---------------------------------------------------------|----------------|
|                                                         | HK\$'000       |
| Distribution of 48,124,780 shares of Left Field         | 19,731         |
| Net assets in Left Field attributed to the Distribution | (22,714)       |
|                                                         | <u>(2,983)</u> |
|                                                         | =====          |

(b) Dividends attributable to the interim period

|                                                              | Six months ended 30 June        |                                 |
|--------------------------------------------------------------|---------------------------------|---------------------------------|
|                                                              | 2020<br>(Unaudited)<br>HK\$'000 | 2019<br>(Unaudited)<br>HK\$'000 |
| Interim dividends declared – Nil (2019: HK\$0.030) per share | -                               | 23,100                          |
|                                                              | <u>-</u>                        | <u>23,100</u>                   |

The Board has not declared the payment of an interim dividend for the six months ended 30 June 2020 (2019: HK\$0.03 per share).



## 17. Acquisition of subsidiary

On 11 February 2020, Anson Worldwide Limited, a 93% indirectly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party to acquire entire equity interest in Papercraft Sdn. Bhd. (“Papercraft”), a company incorporated in Malaysia with the consideration of HK\$42.8 million. Papercraft is engaged in the manufacturing of paper based stationery products and books printing in Malaysia. The acquisition was completed on 25 February 2020. An amount of HK\$25,588,000 was paid during the six months ended 30 June 2020 whilst the remaining considerations will be paid by installments in accordance to the terms of sale and purchase agreement by 25 February 2022.

The provisional fair value of identifiable assets and liabilities of Papercraft as at the date of acquisition were:

|                                                            | Unaudited<br><i>HK\$'000</i> | Unaudited<br><i>HK\$'000</i> |
|------------------------------------------------------------|------------------------------|------------------------------|
| Property, plant and equipment                              | 26,492                       |                              |
| Trade and other receivables                                | 312                          |                              |
| Cash and bank balances                                     | 6                            |                              |
| Trade and other payables                                   | (53)                         |                              |
| Deferred tax liabilities                                   | (2,992)                      |                              |
| Total identifiable assets acquired and liabilities assumed |                              | 23,765                       |
| Consideration                                              | _____                        | _____                        |
| Cash paid                                                  | 25,588                       |                              |
| Other payables - current                                   | 14,232                       |                              |
| Other payables – non-current                               | 3,019                        |                              |
|                                                            |                              | 42,839                       |
| Goodwill                                                   | _____                        | 19,074                       |
|                                                            |                              | =====                        |
|                                                            |                              | Unaudited<br><i>HK\$'000</i> |
| Purchase consideration settled in cash                     |                              | 25,588                       |
| Cash and cash equivalents acquired                         |                              | (6)                          |
|                                                            |                              | _____                        |
| Cash outflow on acquisition of subsidiary                  |                              | 25,582                       |
|                                                            |                              | =====                        |

The fair value of trade and other receivables acquired as of the acquisition date amounted to HK\$312,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Goodwill of HK\$19,074,000, 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.

## 17. Acquisition of subsidiary (Continued)

Since the acquisition date, Papercraft has contributed HK\$307,000 to revenue and a loss of HK\$3,210,000 to the Group. If the acquisition had occurred on 1 January 2020, the Group's revenue and net profit would have been HK\$640,145,000 and HK\$27,403,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future performance.

The acquisition-related costs of HK\$219,000 have been expensed and are included in administrative expenses.

Reconciliation of the carrying amount of goodwill is presented below:

|                                        | Goodwill              |
|----------------------------------------|-----------------------|
|                                        | <i>HK\$'000</i>       |
| Carrying amount at 1 January 2020      | 174,372               |
| Exchange differences                   | (2,833)               |
| Acquisition of a subsidiary            | 19,074                |
| <b>Carrying amount at 30 June 2020</b> | <b><u>190,613</u></b> |

## 18. Related party transactions

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

|                                  | <b>Six months ended 30 June</b> |                 |
|----------------------------------|---------------------------------|-----------------|
|                                  | <b>2020</b>                     | 2019            |
|                                  | <b>(Unaudited)</b>              | (Unaudited)     |
|                                  | <b><i>HK\$'000</i></b>          | <i>HK\$'000</i> |
| Trade receivables from associate | <b>89,821</b>                   | 74,952          |
| Printing income from associate   | <b>39,988</b>                   | 36,864          |

## 18. Related party transactions (Continued)

### (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        |                                 |
|-------------------------|---------------------------------|---------------------------------|
|                         | 2020<br>(Unaudited)<br>HK\$'000 | 2019<br>(Unaudited)<br>HK\$'000 |
| Short-term remuneration | 3,013                           | 3,269                           |
| Post-employment benefit | 88                              | 80                              |
|                         | <u>3,101</u>                    | <u>3,349</u>                    |

## 19. Contingent liabilities

As at 30 June 2020, the Group had no significant contingent liabilities (31 December 2019: Nil).

## 20. Fair value measurement

### (i) Recurring fair value measurements

|                                                                       | At 30 June 2020<br>(unaudited) |                     | At 31 December 2019<br>(audited) |                     |
|-----------------------------------------------------------------------|--------------------------------|---------------------|----------------------------------|---------------------|
|                                                                       | Level 1<br>HK\$'000            | Level 2<br>HK\$'000 | Level 1<br>HK\$'000              | Level 2<br>HK\$'000 |
| <b>Financial assets at fair value<br/>through profit or loss</b>      |                                |                     |                                  |                     |
| Forward foreign exchange contracts                                    | -                              | -                   | -                                | -                   |
| Net fair values                                                       | <u>-</u>                       | <u>-</u>            | <u>-</u>                         | <u>-</u>            |
| <b>Financial liabilities at fair value<br/>through profit or loss</b> |                                |                     |                                  |                     |
| Forward foreign exchange contracts                                    | (1,987)                        | -                   | (47)                             | -                   |
| Net fair values                                                       | <u>(1,987)</u>                 | <u>-</u>            | <u>(47)</u>                      | <u>-</u>            |

## 20. Fair value measurement (Continued)

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

Trade and other receivables, trade and other payables, bank borrowings, 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 2020 and 31 December 2019.

### *(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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Coronavirus Disease 2019 (“COVID-19”) pandemic has brought upon unprecedented challenges to the book industry. Printing plants and bookshops were forced to close down for months and some of the Group’s overseas customers have cut back on their printing orders due to the macroeconomic uncertainty. As a result, the turnover of the Group for the first six months ended 30 June 2020 decreased by 24% to HK\$639 million (H1 2019: HK\$841 million). Profit before taxation decreased to HK\$44 million (H1 2019: HK\$90 million) and Group net profit after tax decreased to HK\$33 million (H1 2019: HK\$73 million). Profit margin was compressed as our fixed direct and indirect costs are difficult to alter in the short-term due to the asset heavy nature of our manufacturing business units.

The China-US trade war have forced companies to re-examine their cross-national supply chain strategy. Due to the US tariff imposed on some books printed in China, many US publishing houses have shifted their orders to non-China print manufacturers. Timing of the Group’s purchase of Papercraft Sdn. Bhd. (“Papercraft”), a Johor based Malaysian printing plant, in February was prescient. The combined operation of Papercraft and Singapore based COS will place the Group in a unique position among major book printers in China to have a significant print manufacturing presence in South East Asia.

Our geographic diversification strategy was put to test as our production plants in China, Singapore and Malaysia were closed during the lockdown. Despite the operational challenges, our strategy has proven to be resilient as we successfully fulfilled most of the print orders through our agile network of printing plants and suppliers.

We have put in place new policies and infrastructure to protect the health of our employees and to ensure business continuity. As the COVID-19 situation continues to evolve, we will take proactive measures to manage cash flow, reduce costs and re-examine our business process to adapt to the ‘new normal’.

### A. PRINT MANUFACTURING

#### *1010 Printing, China manufacturing and international sales operations:*

Sales turnover registered a 14% year-on-year decline as some of the sales orders were lost due to the lockdown in China and these sales were not recovered. Despite the worldwide travel ban, our clients’ experience remains our top priority. We are regularly reaching out to our overseas clients through virtual meetings to offer them support and to address their needs.

#### *Left Field Printing Group, Australia manufacturing:*

Left Field Printing experienced a decrease of 35% in sales turnover. It was mostly caused by the loss of a multi-year contract with a major fiction publisher. In spite of the loss, the Group has maintained good working relationship with the customer, which awarded a significant order to 1010 Printing early this year. We received considerable financial support from the Australian government’s JobKeeper Payment scheme, which has cushioned the impact of COVID-19 on the business.

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

### **BUSINESS REVIEW (Continued)**

#### *COS, Singapore manufacturing:*

Sales turnover at COS increased by 21% as it took on more US bound inter-company orders. However, profit margin took a hit as print jobs had to be outsourced elsewhere as Singapore went into lockdown. Papercraft, our recently acquired plant in Malaysia, was also impacted by a 90-day ‘movement control’ imposed by the Malaysian government.

### **B. PRINT SERVICES MANAGEMENT**

#### *APOL Group, international sales operations:*

Sales turnover declined by 20% in the first six months at APOL. The Latin American market was particularly challenging as local currencies weakened and local competition remained fierce. This competitive landscape will not change in the short-term and APOL will implement stricter cost control and branch out to other product categories and markets.

#### *Regent, Hong Kong sales operation:*

Regent’s sales turnover declined by 29% in the first half of the year. COVID-19 has led to school closures globally and the market for teaching aids kit for teachers and students was greatly impacted. The Regent management is working on the mitigation of accounts receivable risks given their greater exposure to the US market.

### **C.PUBLISHING**

#### *The Quarto Group*

Quarto’s revenue is down year on year at US\$46.9 million (H1 2019: US\$56.4 million) as a result of many bookshops and retailers being closed for several months during the global lockdown. The adjusted Group operating loss (before amortization of acquired intangibles and exceptional items) came in at US\$1.8 million (H1 2019: loss of \$0.9 million) in what is our seasonally weak half year. The adjusted loss after tax was US\$3 million (H1 2019: loss of \$3.1 million). Looking forward, we will complete the strengthening of Quarto’s balance sheet and sharpen our content strategy around six of our best performing book categories.

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

### **PROSPECT**

It is difficult for the Group's management to predict our business performance as COVID-19 is still causing havoc in major markets. While the blanket COVID-19 lockdown that we saw a few months ago will unlikely to happen again, the prolonged uncertainty will continue to have a negative impact on the economy and the book industry.

We will continuously manage our cost base to ensure the Group has sufficient working capital to weather the impact of COVID-19. Our business process is also being re-examined and re-engineered to adapt to new ways of working under the 'new normal'.

The level of automation will be further enhanced by the transformation of our ERP system. Duplicated processes will be streamlined, interface with our clients' systems will be completely digitalized, and customer behaviour could be better analysed for revenue and capacity management.

The Group is in the process of ramping up the manufacturing capacity in Malaysia to add 50% of that of our flagship plant in China. We will also purchase state-of-the-art production equipment available in the market to support our automation initiative.

We believe that our long-term investments in business diversification, process automation and regional manufacturing footprint will reinforce our leadership position in the book printing sector in Asia. Despite the short-term disruptions from COVID-19, the Group will benefit much from these investments when normal trading conditions return.

## FINANCIAL REVIEW

Turnover for the six months ended 30 June 2020 decreased by 24% to approximately HK\$638.8 million (2019: HK\$841.4 million). The decrease was caused by the reduced orders from overseas customers during the economic uncertainty caused by the COVID-19 pandemic.

Gross profit margin decreased from 28.0% to 25.6%. The decrease was a result of the relative higher fixed production cost compared with the decrease in sales during the period.

Other income increased by approximately HK\$12.8 million to approximately HK\$32.6 million (2019: 19.8 million). The increase was primarily contributed by various government subsidies and rebate received during the period of approximately HK\$19.3 million mainly in aid of the COVID-19 pandemic. The increase in other income was partially offset by the decrease in sales of scrapped materials of HK\$3.4 million; the decrease in interest income of HK\$2.1 million and the decrease in gain on disposal of property, plant and equipment.

Selling and distribution expenses decreased by approximately HK\$18.8 million compared with same period in 2019. Selling and distribution expenses against sales increased from 11.8% in 2019 to 12.6% in 2020 mainly due to higher staff costs ratio.

Administrative expenses remained relatively stable at approximately HK\$50.5 million (2019: HK\$50.1 million). The increase in legal and professional cost upon various corporate projects and the increase in staff costs was offset by the decreased overseas travelling and entertainment cost during the COVID-19 pandemic.

Other expenses represented the expected credit loss on trade receivables. Amount increased from approximately HK\$3.1 million for the six months ended 30 June 2019 to HK\$5.5 million for the same period in 2020 due to the expected increase in credit risk on customers suffering from the worldwide economic uncertainty.

Finance cost decreased slightly from approximately HK\$7.8 million for the six months ended 30 June 2019 to approximately HK\$7.4 million for the same period in 2020. The slight decrease was due to the decreased interest expenses on bank borrowings upon gradual repayment of loan principal.

Share of loss of associate increased by HK\$4.2 million due to the loss incurred for the first half year result in The Quarto Group Inc. and the increase in the Group's equity interest in Quarto.

Income tax expenses decreased to approximately HK\$10.8 million for the six months ended 30 June 2020 (2019: HK\$16.9 million), being in line with the decrease in profit for the period.

Profit attributable to owners of the Company amounted to approximately HK\$29.3 million in 2020 (2019: HK\$64.1 million), a 54% decrease compared to the same period in last year.



## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 June 2020, the Group had net current assets of approximately HK\$564.4 million (31 December 2019: HK\$713.7 million) of which the cash and bank deposits were approximately HK\$364.7 million (31 December 2019: HK\$495.7 million). The Group's current ratio was approximately 2.1 (31 December 2019: 2.5).

Total bank borrowings and lease liabilities as at 30 June 2020 were approximately HK\$322.7 million (31 December 2019: HK\$312.0 million). Bank borrowings were denominated in Hong Kong dollars at floating rates repayable within five years. The Group's gearing ratio as at 30 June 2020 was 27.9% (31 December 2019: 26.5%), which is calculated on the basis of the Group's total interest-bearing debts (comprising bank borrowings and lease liabilities) over the total equity interest.

During the period, the Group had acquired property, plant and equipment at approximately HK\$5.1 million. The purchase was financed by internal resources.

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 mainly 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 2020, the Group had committed to acquire machinery of approximately HK\$10.9 million. The acquisition will be financed by the Group's internal resources.

The Group had no significant contingent liability as at 30 June 2020.

## OTHER DISCLOSURES

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2020, 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:

(a) 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) | 65,371,906                  | Nil                       | 266,432,717                  | 331,804,623              | 43.09                                                     |
| Ms. Lam Mei Lan           | 16,568,688                  | Nil                       | Nil                          | 16,568,688               | 2.15                                                      |
| Mr. Guo Junsheng (Note 2) | Nil                         | Nil                       | 12,299,804                   | 12,299,804               | 1.60                                                      |

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

| Name of Directors         | Personal Interests (Shares) | Family Interests (Shares) | Corporate Interests (Shares) | Total Interests (Shares) | Percentage to the issued share capital of the Company (%) |
|---------------------------|-----------------------------|---------------------------|------------------------------|--------------------------|-----------------------------------------------------------|
| Mr. Lau Chuk Kin (Note 3) | 4,085,744                   | Nil                       | 313,048,997                  | 317,134,741              | 62.56                                                     |
| Ms. Lam Mei Lan           | 1,035,543                   | Nil                       | Nil                          | 1,035,543                | 0.21                                                      |
| Mr. Guo Junsheng (Note 2) | Nil                         | Nil                       | 768,737                      | 768,737                  | 0.15                                                      |

(c) Long Position in the shares of The Quarto Group, Inc. ("Quarto"), an associated corporation 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 4) | 3,359,486                   | Nil                       | 12,915,083                   | 16,274,569               | 39.80                                                     |

Note 1: Of 266,432,717 shares, 258,135,326 shares and 8,297,391 shares are beneficially owned by City Apex Ltd. and ER2 Holdings Limited (“ER2 Holdings”) respectively. As at 30 June 2020, ER2 Holdings was the ultimate holding company of City Apex Ltd.. Mr. Lau Chuk Kin owned 68.76% of the issued share capital of ER2 Holdings and accordingly, Mr. Lau is deemed to be interested in the said shares pursuant to Part XV of the Securities and Futures Ordinance.

Note 2: The shares are beneficially owned by Dragon Might Global Limited (“Dragon Might”). As at 30 June 2020, Dragon Might is 100% directly owned by Mr. Guo Junsheng and therefore Mr. Guo is deemed to be interested in the said shares.

Note 3: Of 313,048,897 shares, 16,133,457 shares, 518,586 shares and 296,396,954 shares are beneficially owned by City Apex Ltd., ER2 Holdings and Bookbuilders BVI Ltd respectively. As at 30 June 2020, Bookbuilders BVI Ltd is an indirect wholly-owned subsidiary of the Company. As stated in note 1 above, Mr. Lau is deemed to be interested in 43.09% issued share capital of the Company. Accordingly, Mr. Lau is deemed to be interested in the said shares.

Note 4: 12,915,083 shares are beneficially owned by 1010 Printing Ltd. As at 30 June 2020, 1010 Printing Ltd is an indirect wholly-owned subsidiary of the Company. As stated in note 1 above, Mr. Lau is deemed to be interested in 43.09% issued share capital of the Company. Accordingly, Mr. Lau is deemed to be interested in the said shares.

Saved as disclosed above, as at 30 June 2020, 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 2020, the following persons, other than a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company, being 5% or more in the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

| Name of shareholder                          | Nature of interest           |                                                |                             | Percentage to the issued share capital of the Company (%) |
|----------------------------------------------|------------------------------|------------------------------------------------|-----------------------------|-----------------------------------------------------------|
|                                              | Beneficial Owner<br>(Shares) | Interest in controlled corporation<br>(Shares) | Total Interests<br>(Shares) |                                                           |
| ER2 Holdings Limited (Note 1)                | 8,297,391                    | 258,135,326                                    | 266,432,717                 | 34.60                                                     |
| City Apex Ltd. (Note 1)                      | 258,135,326                  | Nil                                            | 258,135,326                 | 33.52                                                     |
| Mr. Chang Mun Kee (Note 2)                   | 10,067,583                   | 54,112,030                                     | 64,179,613                  | 8.34                                                      |
| Mr. Webb David Michael (Note 3)              | 19,975,168                   | 41,665,808                                     | 61,640,976                  | 8.00                                                      |
| JcbNext Berhad (Note 2)                      | 54,112,030                   | Nil                                            | 54,112,030                  | 7.03                                                      |
| Preferable Situation Assets Limited (Note 3) | 41,665,808                   | Nil                                            | 41,665,808                  | 5.41                                                      |

Note 1: 258,135,326 shares are beneficially owned by City Apex Ltd. ER2 Holdings was the ultimate holding company of City Apex Ltd. Accordingly, ER2 Holdings is deemed to be interested in the said shares pursuant to Part XV of the Securities and Futures Ordinance.

Note 2: 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.

Note 3: According to the record kept by the Company, as at 30 June 2020, 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.

Save as disclosed above, as at 30 June 2020, the Company had not been notified of any other person (other than a director or chief executive of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company and was required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **SHARE 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 2020, no share award was granted and no shares were purchased under the 1010 Share Award Scheme. At 30 June 2020, 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 2020, 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 2020, 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 2020.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

## **EMPLOYEES AND EMOLUMENT POLICY**

As at 30 June 2020, the Group had around 1,350 full-time employees (30 June 2019: 1,348). 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**

The Board has not declared the payment of an interim dividend for the six months ended 30 June 2020 (2019: HK\$0.03 per share).

## **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 Prof. Lee Hau Leung, 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 2020 and had the opinion that such report was compiled with the applicable accounting standards and adequate disclosures had been made.

By Order of the Board

**Yeung Ka Sing**

*Chairman*

Hong Kong, 31 August 2020

*As at the date of this announcement, the Board comprises Mr. Lau Chuk Kin, Ms. Lam Mei Lan and Mr. Chu Chun Wan as executive directors; Mr. Li Hoi David and Mr. Guo Junsheng as non-executive directors; Mr. Yeung Ka Sing, Prof. Lee Hau Leung and Dr. Ng Lai Man, Carmen as independent non-executive directors.*