



**INTERIM
REPORT
2021**



LION ROCK GROUP LIMITED
獅子山集團有限公司
STOCK CODE: 1127

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Coronavirus Disease 2019 ("COVID-19") continues to wreak havoc to the global supply chain. The constant shipping disruptions and delays have created a vicious cycle of higher inventory restocking demand and skyrocketing shipping costs. Material costs have also gone up as major economies reopened.

The global book market is making a resilient recovery as demand of printed books remains high throughout the pandemic. Turnover of the Group for the first six months ended 30 June 2021 increased by 22% to HK\$777 million (H1 2020: HK\$639 million). Profit before taxation increased to HK\$62 million (H1 2020: HK\$44 million) and Group net profit after tax increased to HK\$47 million (H1 2020: HK\$33 million). Profit margin was compressed as ongoing contracts were honoured and we have absorbed the additional freight and material costs for our clients.

As we have predicted years ago, the increasing shipping costs is chipping away the competitiveness of China based printers. The cost of shipping a 40-foot container load of books from China to the US west coast has increased three to four folds from less than US\$5,000 in 2020 to US\$18,000 in mid-2021, translating to an extra cost of approximately US\$0.7 per copy. That extra US\$0.7 means that China based printers no longer hold the low-cost advantage over their Eastern European competitors in printing paperback books. The 3 to 4 weeks of shipping delays also offset the slight cost advantage China based printers hold in printing hardback books.

Several challenges remain in our local operations. For one, material costs for chemicals, paper and zinc plates have gone up as China emerged from COVID-19 and continued its strong economic recovery. We have stockpiled on paper to above average inventory level before paper price went up by 40% between February and April.

The leading publishing houses already started the re-shoring trend when the US tariff imposed on books printed in China back in 2019. And smaller publishing houses are now shifting their orders to non-China print manufacturers because of the challenges mentioned above. This re-shoring trend is irreversible and Eastern Europe based printers will continue to gain market share at the expense of their China based counterparts.

A. PRINT MANUFACTURING

1010 Printing, China manufacturing and international sales operations:

Sales turnover registered a 17% year-on-year increase as global book market rebounded, driven mainly by US demand. Margin was under pressure as we were one of the few China based printers to delay price increase and honoured the commercial terms of ongoing contracts.

Left Field Printing Group, Australia manufacturing:

Left Field Printing's turnover increased by 41% as Australia managed to achieve initial success in virus containment and re-opened the economy. However, the business remains difficult due to Australian government's continuous drive to go paperless. And the subsequent state-by-state lockdowns caused by the Delta variant will also impact professional and classroom print orders.

COS/Papercraft, Singapore manufacturing:

Sales turnover at COS/Papercraft declined by 2% as we shifted some of the inter-company sales back to 1010 Printing to facilitate the consolidation of Papercraft, the Malaysian plant acquired in early 2020. We expect COS/Papercraft will continue to incur loss as we go through the transition of the operations in Singapore to Malaysia.

B. PRINT SERVICES MANAGEMENT

APOL Group, international sales operations:

Sales turnover increased by 10% in the first six months at APOL. The sales increase was mainly driven by the return of demand in the US and Europe. However, the Latin American market continued to be challenging as local currencies weakened and local competition remained fierce.

Regent, Hong Kong sales operation:

Regent's sales turnover increased by 8% in the first half of the year. The business registered positive sales growth as the US market recovered and we expect the positive trend to continue for the rest of the year.

C. PUBLISHING

The Quarto Group

Quarto's revenue increased by 21% to reach US\$56.9 million (H1 2020: US\$46.9 million). Backlist titles powered our B2C sales ahead and our B2B co-edition business continued to perform well. Operating profit reached US\$4 million (H1 2020: loss of US\$1.8 million) in what is our seasonally weak half year. Net debt has been reduced in the last 12 months by US\$21 million to US\$16.4 million.

There were several senior management changes and steps are being taken to recruit the right executives to lead the business. Moreover, we continue to mitigate increasing shipping costs by using domestic printer suppliers and ensuring we print in the most efficient quantities.

PROSPECTS

We see good order uptake driven by a strong US book market and we expect the positive trading condition to continue as people rediscover a love of reading during the pandemic. Book sales have shifted to online channels and that has changed how book titles are discovered and purchased by consumers. Popular backlist titles that were ranked on Amazon have over-performed whilst frontlist titles suffered from a lack of showcase as main street was closed during lockdown. The recent re-opening of main street will swing the focus back onto frontlist titles and consumer sentiments in the second half will remain to be seen.

The astronomical shipping costs will also be here to stay in the next 12 months. The constant shipping disruptions and delays have caused companies to over supply products, which will further limit shipping supply. The closing of major ports worldwide from time to time will lead to more uncertainty in shipping volume and costs. As the shipping industry has been unprofitable for years, the three shipping alliances are now grasping the opportunity to make up for it.

Scaling up geographically has been a strategic focus of the Group. We will continue to develop Papercraft in Malaysia and combine its operation with COS in Singapore. COS/Papercraft will place the Group in a unique position among major book printers to have a significant print manufacturing presence in South East Asia.

We are cautiously optimistic about the year ahead. The skyrocketing shipping cost, changing cost structure in China and the re-shoring momentum will continue to work against us. But we are confident that our regional footprint will continue to give us access to raw materials, freight capacity, and fulfilment service that come in very limited supply during the global pandemic. And we will seize this opportunity during these difficult times to reinforce our leadership position in the book printing sector in Asia.



FINANCIAL REVIEW

Turnover for the six months ended 30 June 2021 increased by 22% to approximately HK\$776.6 million (2020: HK\$638.8 million). Customer orders resumed gradually from the rebound of the global book market driven by the recovery of the global economy from the impact of COVID-19.

Gross profit margin maintained relatively stable. Effort was put on adjusting the pricing of sales orders to cater for the material cost and labour cost increase in this period.

Other income decreased by HK\$11.9 million to approximately HK\$20.7 million (2020: HK\$32.6 million). The decrease was mainly due to the decrease in government subsidies for COVID-19 of HK\$15.9 million and the decrease in exchange gain of HK\$2.8 million. The decrease was partially offset by the increase in sales of scrapped materials of HK\$5.7 million and the increase in gain on fair value of forward contracts.

Selling and distribution expenses increased by approximately HK\$19.8 million compared with the same period in 2020. Selling and distribution expenses against sales increased from 12.6% in 2020 to 12.9% in 2021, mainly due to the increase in freight cost during the period.

Administrative expenses increased by HK\$4.1 million to approximately HK\$54.5 million (2020: HK\$50.5 million). Staff costs increased by HK\$5.7 million, of which included the share based payment expense of HK\$2.3 million arising from share award granted under the share award scheme in late 2020. The increase in staff cost was partially offset by the decrease in legal and professional costs in the first half of 2021 owing to less corporate projects.

Other expenses represented the expected credit loss on trade receivables. Amount decreased from approximately HK\$5.5 million for the six months ended 30 June 2020 to HK\$1.5 million for the same period in 2021 due to the expected decrease in credit risk following the gradual recovery of the economy and improved customer payment pattern.

Finance cost decreased from approximately HK\$7.4 million for the six months ended 30 June 2020 to approximately HK\$4.5 million for the same period in 2021. The decrease was mainly due to the decrease in interest expenses on bank borrowings contributed by the gradual decrease in interest rate since early 2020.

Share of result of associate increased by HK\$14.8 million arising from the share of profit of HK\$6.1 million in The Quarto Group, Inc. for the six months ended 30 June 2021 compared with a share of loss of HK\$8.7 million recorded in the same corresponding period in 2020.

Income tax expenses increased to approximately HK\$14.2 million for the six months ended 30 June 2021 (2020: HK\$10.8 million), being in line with the increase in profit for the period.

Profit attributable to owners of the Company amounted to approximately HK\$41.3 million for the six months ended 30 June 2021 (2020: HK\$29.3 million), a 41% increase compared to the same period in last year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2021, the Group had net current assets of approximately HK\$549.4million (31 December 2020: HK\$617.7 million) of which the cash and bank deposits were approximately HK\$412.5 million (31 December 2020: HK\$502.3 million). The Group's current ratio was approximately 2.0 (31 December 2020: 2.2).

Total bank borrowings and lease liabilities as at 30 June 2021 were approximately HK\$315.8 million (31 December 2020: HK\$290.3 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 2021 was 24.5% (31 December 2020: 22.7%), 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\$33.5 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 2021, the Group had committed to acquire machinery of approximately HK\$1.3 million. The acquisition will be financed by the Group's internal resources.

The Group had no significant contingent liability as at 30 June 2021.

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 2021 together with the comparative unaudited figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	(Unaudited)	
		Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
Revenue	3	776,605	638,820
Direct operating costs		(580,887)	(475,088)
Gross profit		195,718	163,732
Other income		20,696	32,585
Selling and distribution costs		(100,318)	(80,497)
Administrative expenses		(54,546)	(50,459)
Other expenses		(1,517)	(5,496)
Finance costs	4	(4,461)	(7,366)
Share of result of associate		6,093	(8,715)
Profit before income tax	5	61,665	43,784
Income tax expense	6	(14,171)	(10,761)
Profit for the period		47,494	33,023
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		(5,867)	(13,719)
Share of other comprehensive income of associate		616	(3,913)
Other comprehensive income for the period, net of tax		(5,251)	(17,632)
Total comprehensive income for the period		42,243	15,391
Profit for the period attributable to:			
Owners of the Company		41,297	29,311
Non-controlling interests		6,197	3,712
		47,494	33,023
Total comprehensive income attributable to:			
Owners of the Company		38,483	14,622
Non-controlling interests		3,760	769
		42,243	15,391
Earnings per share for profit attributable to owners of the Company during the period	7		
– Basic		HK 5.58 cents	HK 3.81 cents
– Diluted		HK 5.54 cents	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		(Unaudited) At 30 June 2021	(Audited) At 31 December 2020
	Notes	HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	221,923	209,762
Deposits for acquisition of property, plant and equipment		3,484	14,753
Right-of-use assets	9	82,807	96,566
Intangible assets		200,213	202,441
Interest in associate	10	150,157	143,914
Loans to an associate		130,410	53,180
Lease receivables		2,391	–
Deferred tax assets		23,826	25,795
		815,211	746,411
Current assets			
Inventories		220,231	180,670
Trade and other receivables and deposits	11	455,582	434,441
Lease receivable		1,130	507
Financial assets at fair value through profit or loss		–	45
Tax recoverable		–	1,587
Pledged deposits		161	161
Cash and cash equivalents		412,534	502,291
		1,089,638	1,119,702
Current liabilities			
Trade and other payables	12	250,566	231,893
Bank borrowings	13	229,492	191,450
Lease liabilities		29,236	31,448
Provisions		21,317	21,985
Financial liabilities at fair value through profit or loss		161	–
Financial liabilities arising from put option		–	15,367
Provision for taxation		9,449	9,827
		540,221	501,970
Net current assets		549,417	617,732
Total assets less current liabilities		1,364,628	1,364,143

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2021

		(Unaudited) At 30 June 2021	(Audited) At 31 December 2020
	Notes	HK\$'000	HK\$'000
Non-current liabilities			
Other payable		–	3,019
Provisions		4,373	4,398
Lease liabilities		57,060	67,436
Deferred tax liabilities		12,438	12,574
		73,871	87,427
Net assets		1,290,757	1,276,716
EQUITY			
Share capital	14	7,700	7,700
Reserves		1,160,151	1,140,802
Equity attributable to owners of the Company		1,167,851	1,148,502
Non-controlling interests		122,906	128,214
Total equity		1,290,757	1,276,716

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	(Unaudited)	
	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Operating activities		
Profit before income tax	61,665	43,784
Adjustments for:		
Share of result of associate	(6,093)	8,715
Depreciation of property, plant and equipment	21,732	20,259
Amortisation of right-of-use assets	16,199	14,286
Amortisation of intangible asset	–	809
Equity-settled share-based payment expenses	2,423	–
Impairment of receivables	1,517	5,496
Interest income	(2,489)	(2,222)
Interest expenses	4,461	7,366
Gain on financial liabilities at fair value through profit and loss	(1,563)	(389)
Gain on disposal of property, plant and equipment	(145)	(79)
Operating profit before working capital changes	97,707	98,025
Increase in inventories	(39,228)	(14,921)
Increase in trade and other receivables	(24,202)	(42,256)
Increase (Decrease) in trade and other payables and provisions	15,183	(16,256)
Increase in financial assets/liabilities at fair value through profit or loss	1,769	2,329
Cash generated from operations	51,229	26,921
Income taxes paid	(11,242)	(27,058)
Net cash generated from (used in) operating activities	39,987	(137)
Investing activities		
Interest received	2,489	2,222
Increase in pledged deposits	–	(159)
Purchases of property, plant and equipment	(33,537)	(5,114)
Decrease (Increase) in deposit for acquisition of property, plant and equipment	11,363	(4,977)
Proceeds from disposals of property, plant and equipment	641	79
Payment on right of use assets	(2,563)	–
Proceeds from lease receivables	649	749
Loan to associate	(77,300)	–
Additional investment in associate	–	(53,285)
Acquisition of a subsidiary, net of cash acquired	–	(25,582)
Net cash used in investing activities	(98,258)	(86,067)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2021

	(Unaudited)	
	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Financing activities		
Bank borrowings raised	140,000	75,000
Repayment of bank borrowings	(101,958)	(58,450)
Interest on bank borrowings paid	(2,354)	(4,991)
Repayment of principal portion of lease liabilities	(16,165)	(14,547)
Interest paid on lease liabilities	(2,010)	(2,180)
Dividends paid	(37,021)	(30,800)
Dividends paid to non-controlling interests	(9,068)	(8,119)
Capital injection from non-controlling shareholder	–	2,013
Net cash used in financing activities	(28,576)	(42,074)
Net decrease in cash and cash equivalents	(86,847)	(128,278)
Effect of exchange rate fluctuations, net	(2,910)	(2,753)
Cash and cash equivalents at the beginning of the period	502,291	495,707
Cash and cash equivalents at the end of the period	412,534	364,676
Analysis of balances of cash and cash equivalents		
Bank balances and cash	411,797	363,971
Cash at brokers	737	705
	412,534	364,676

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2021

	Attributable to owners of the Company												Non-controlling interests	Total equity	
	Share capital	Share premium	Exchange reserve	Merger reserve	Contributed surplus	Put option Reserve	Statutory reserve	Other reserve	Employee compensation reserve	Share award scheme reserve	Proposed final dividend	Retained earnings			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2021	7,700	173,078	(44,174)	(136,875)	310,125	(13,906)	737	(1,738)	788	(21,618)	38,500	835,885	1,148,502	128,214	1,276,716
2020 final dividend paid (Note 16)	-	-	-	-	-	-	-	-	-	-	(38,500)	1,479	(37,021)	-	(37,021)
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,068)	(9,068)
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	-	-	-	2,423	-	-	-	2,423	-	2,423
Lapse of put option	-	-	-	-	-	13,906	-	-	-	-	-	1,558	15,464	-	15,464
Transactions with owners	-	-	-	-	-	13,906	-	-	2,423	-	(38,500)	3,037	(19,134)	(9,068)	(28,202)
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	41,297	41,297	6,197	47,494
Other comprehensive income															
Currency translation	-	-	(3,430)	-	-	-	-	-	-	-	-	-	(3,430)	(2,437)	(5,867)
Share of other comprehensive expense of associate	-	-	497	-	-	-	-	-	-	-	-	119	616	-	616
Total comprehensive income for the period	-	-	(2,933)	-	-	-	-	-	-	-	-	41,416	38,483	3,760	42,243
Balance at 30 June 2021 (Unaudited)	7,700	173,078	(47,107)	(136,875)	310,125	-	737	(1,738)	3,211	(21,618)	-	880,338	1,167,851	122,906	1,290,757

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

For the six months ended 30 June 2021

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

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 2021 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 2020 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 2021.

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

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

3. SEGMENT INFORMATION

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

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
United States of America	348,396	233,858
Australia	241,857	227,362
United Kingdom	120,041	83,594
Spain	37,188	38,053
Germany	8,526	10,989
New Zealand	5,281	4,310
Canada	5,275	3,110
Singapore	4,585	2,967
Chile	4,000	3,111
Mexico	217	18,482
Hong Kong (domicile)	21	156
Others	1,218	12,828
	776,605	638,820

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Reportable segment profit	60,033	59,865
Finance costs	(4,461)	(7,366)
Share of result of associate	6,093	(8,715)
Profit before income tax	61,665	43,784

4. FINANCE COSTS

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
	HK\$'000	HK\$'000
Interest charges on bank borrowings, which contain a repayment on demand clause, wholly repayable within five years	2,354	4,991
Interest on put option liability	97	195
Interest on lease liabilities	2,010	2,180
	4,461	7,366

5. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	21,732	20,259
Amortisation of right-of-use assets	16,199	14,286
Amortisation of intangible asset	–	809
Employee benefit expenses	167,015	135,725
Net foreign exchange loss (gain)	833	(2,805)
Gain on financial liabilities at fair value through profit or loss	(1,563)	(389)
Gain on disposals of property, plant and equipment	(145)	(79)
Interest income	(2,489)	(2,222)

6. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong profits tax		
– Current year	8,648	7,599
Overseas tax		
– Current year	3,480	2,064
– Under/(Over) provision in prior year	268	(308)
Deferred taxation – current year	1,775	1,406
	14,171	10,761

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
	HK\$'000	HK\$'000
Earnings for the purposes of basic earnings per share for the period	41,297	29,311

	Number of shares ('000)	
	2021	2020
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	740,417	769,997
Effect of dilutive potential ordinary shares on share:		
– Share awards	5,097	–
	745,514	769,997

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

8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Furniture and fixtures	Office equipment	Leasehold improvements	Computer equipment and systems	Motor vehicles	Machinery	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021								
Cost	21,710	5,419	9,912	66,776	16,470	5,215	458,973	584,475
Accumulated depreciation	(7,508)	(5,012)	(7,178)	(59,548)	(15,507)	(3,001)	(276,959)	(374,713)
Net book amount	14,202	407	2,734	7,228	963	2,214	182,014	209,762
Period ended 30 June 2021								
Opening net book amount	14,202	407	2,734	7,228	963	2,214	182,014	209,762
Exchange differences	(141)	(3)	3	81	(12)	(6)	929	851
Additions	6,535	184	497	4,722	323	699	20,578	33,538
Disposals	-	(7)	-	(15)	-	(320)	(154)	(496)
Depreciation	(583)	(71)	(373)	(1,508)	(280)	(399)	(18,518)	(21,732)
Closing net book amount	20,013	510	2,861	10,508	994	2,188	184,849	221,923
At 30 June 2021								
Cost	27,876	5,486	10,371	70,478	17,927	6,916	476,360	615,414
Accumulated depreciation	(7,863)	(4,976)	(7,510)	(59,970)	(16,933)	(4,728)	(291,511)	(393,491)
Net book amount	20,013	510	2,861	10,508	994	2,188	184,849	221,923

Land and buildings as at 30 June 2021 included freehold land and buildings of approximately HK\$4,381,000 (31 December 2020: HK\$4,861,000) 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\$15,632,000 (31 December 2020: HK\$9,341,000).

9. RIGHT-OF-USE ASSETS

	Leasehold land	Leased properties	Plant and equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	5,781	88,939	1,846	96,566
At 30 June 2021	8,221	73,362	1,224	82,807

10. INTEREST IN ASSOCIATE

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
	HK\$'000	HK\$'000
Share of net assets other than goodwill	75,684	69,065
Goodwill	74,473	74,849
	150,157	143,914

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 2021, based on sales invoice date, is as follows:

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
	HK\$'000	HK\$'000
0 – 30 days	155,203	120,169
31 – 60 days	91,944	98,881
61 – 90 days	102,860	56,629
91 – 120 days	43,606	40,421
121 – 150 days	8,637	25,384
Over 150 days	20,133	63,736
Total trade receivables	422,383	405,220
Less: Provision for impairment	(19,969)	(18,584)
Net trade receivables	402,414	386,636
Other receivables and deposits	53,168	47,805
	455,582	434,441

12. TRADE AND OTHER PAYABLES

As at 30 June 2021, the ageing analysis of trade payables based on invoice date is as follows:

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
	HK\$'000	HK\$'000
0 – 30 days	74,029	67,918
31 – 60 days	25,448	23,704
61 – 90 days	9,457	7,473
91 – 120 days	178	74
Over 120 days	440	368
Total trade payables	109,552	99,537
Other payables and accruals – current	141,014	132,356
	250,566	231,893

13. BANK BORROWINGS

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
	HK\$'000	HK\$'000
Bank loans due for repayment within one year	104,540	120,392
Bank loans due for repayment after one year which contain a repayment on demand clause	124,952	71,058
Total bank borrowings	229,492	191,450

All bank borrowings as at 30 June 2021 are supported by the corporate guarantees of the Company.

14. SHARE CAPITAL

	No. of shares (‘000)	Amount HK\$'000
Authorised: Ordinary shares of HK\$0.01 each	1,500,000	15,000
Issued and fully paid: At 1 January 2021 and 30 June 2021	770,000	7,700

15. CAPITAL COMMITMENTS

As at 30 June 2021, the Group had capital commitment contracted but not provided for in respect of the acquisition of property, plant and equipment of approximately HK\$1,292,000 (31 December 2020: HK\$12,820,000).

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	
	2021 (Unaudited)	2020 (Unaudited)
	HK\$'000	HK\$'000
Final dividend in respect of the year ended 31 December 2020, approved and paid during the interim period of HK\$0.05 (2020: HK\$0.04) per share	38,500	30,800
Dividends received from shares held under share award scheme	(1,479)	–
Distribution of shares in a subsidiary	–	19,731
	37,021	50,531

- (b) Dividends attributable to the interim period

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
	HK\$'000	HK\$'000
Interim dividends declared – HK\$0.03 (2020: Nil) per share (Note)	23,100	–

Note:

The amount of the interim dividend declared for the six months ended 30 June 2021, which will be payable in cash, has been calculated by reference to the 770,000,000 issued ordinary shares outstanding as at the date of this report. The interim dividend is not reflected as dividend payable in the condensed consolidated interim financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2021.

17. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
	HK\$'000	HK\$'000
Trade receivables from associate	67,714	89,821
Printing income from associate	73,258	39,988

(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	
	2021 (Unaudited)	2020 (Unaudited)
	HK\$'000	HK\$'000
Short-term remuneration	4,753	3,013
Post-employment benefit	91	88
Equity settled share-based payments	478	–
	5,322	3,101

18. CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no significant contingent liabilities (31 December 2020: Nil).

19. FAIR VALUE MEASUREMENT

(i) Recurring fair value measurements

	At 30 June 2021 (unaudited)		At 31 December 2020 (audited)	
	Level 1	Level 2	Level 1	Level 2
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	–	–	–	45
Net fair values	–	–	–	45
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	–	161	–	–
Net fair values	–	161	–	–

(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 2021 and 31 December 2020.

(iii) Measurement of fair values

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

OTHER DISCLOSURES

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2021, 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)	77,421,906	Nil	266,432,717	343,854,623	44.66
Ms. Lam Mei Lan	16,568,688	Nil	Nil	16,568,688	2.15
Mr. Guo Junsheng (Note 2)	Nil	Nil	249,804	249,804	0.03

(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 Left Field (%)
Mr. Lau Chuk Kin (Note 3)	9,803,278	Nil	313,048,997	322,852,275	64.74
Ms. Lam Mei Lan	1,035,543	Nil	Nil	1,035,543	0.21

(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 Quarto (%)
Mr. Lau Chuk Kin (Note 4)	1,679,743	Nil	14,994,826	16,674,569	40.78

(d) Long Position in the underlying shares of the Company under the share award scheme

Name of Director	Number of shares				Outstanding at 30.6.2021
	Outstanding at 1.1.2021	Granted during the period	Vested during the period	Cancelled/lapsed during the period	
Mr. Lau Chuk Kin	200,000	–	–	–	200,000
Ms. Lam Mei Lan	3,840,000	–	–	–	3,840,000
Mr. Chu Chun Wan	200,000	–	–	–	200,000
Mr. Li Hoi David	200,000	–	–	–	200,000
Mr. Guo Junsheng	200,000	–	–	–	200,000
Mr. Yeung Ka Sing	200,000	–	–	–	200,000
Prof. Lee Hau Leung	200,000	–	–	–	200,000
Dr. Ng Lai Man Carmen	200,000	–	–	–	200,000

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 2021, ER2 Holdings was the ultimate holding company of City Apex Ltd.. Mr. Lau Chuk Kin owned 69.76% 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 2021, 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 2021, 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 44.66% issued share capital of the Company. Accordingly, Mr. Lau is deemed to be interested in the said shares.

Note 4: 14,994,826 shares are beneficially owned by 1010 Printing Ltd. As at 30 June 2021, 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 44.66% issued share capital of the Company. Accordingly, Mr. Lau is deemed to be interested in the said shares.

Save as disclosed above, as at 30 June 2021, 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 2021, 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	Interest in controlled	Total Interests	
		corporation		
	(Shares)	(Shares)	(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 2021, 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 2021, 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 2021, no share award was granted and no shares were purchased under the 1010 Share Award Scheme. At 30 June 2021, the Company had 28,920,000 awarded shares granted and 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 2021, 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 2021, 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 2021.

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 2021.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2021, the Group had around 1,317 full-time employees (30 June 2020: 1,350). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employee benefits include share award, provident fund, insurance and medical cover.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to recommend the payment of an interim dividend of HK\$0.03 (2020: Nil) per ordinary share for the six months ended 30 June 2021 to shareholders whose names appear on the register of holders of ordinary shares of the Company as at the close of business on 10 September 2021. The register of shareholders will be closed on 10 September 2021, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited whose share registration public offices are located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 9 September 2021. The dividend is expected to be paid on 24 September 2021.

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 2021 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, 26 August 2021



CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-Executive Directors

Mr. Li Hoi, David
Mr. Guo Junsheng

Independent Non-Executive Directors

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

Company Secretary

Ms. Tan Lai Ming *FCCA, FCCA*

Compliance Officer

Mr. Lau Chuk Kin

Authorised Representatives

Ms. Lam Mei Lan
Ms. Tan Lai Ming

Bermuda Resident Representative

Conyers Corporate Services (Bermuda) Limited

Audit Committee

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

Nomination Committee

Mr. Yeung Ka Sing (*Chairman*)
Mr. Lau Chuk Kin
Prof. Lee Hau Leung
Dr. Ng Lai Man, Carmen

Remuneration Committee

Mr. Yeung Ka Sing (*Chairman*)
Mr. Lau Chuk Kin
Prof. Lee Hau Leung
Dr. Ng Lai Man, Carmen

Auditor

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Certified Public Accountants
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Legal Adviser

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Standard Chartered Bank Building
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Hong Kong

Share Registrars and Transfer Offices

Principal Registrar

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41 Cedar Avenue
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Hong Kong Branch Registrar

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