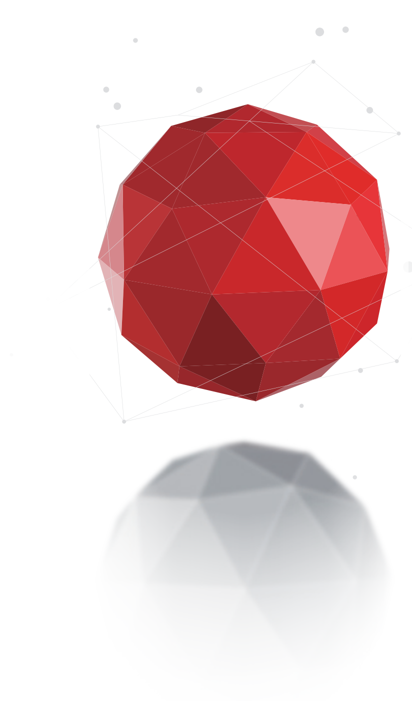
LION ROCK GROUP LIMITED
獅子山集團有限公司
STOCK CODE:1127

INTERIM REPORT

2019



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BUSINESS REVIEW

Despite a challenging external environment, our major business units: 1) 1010 Printing, 2) print management group comprising Asia Pacific Offset Limited ("APOL") and Regent Publishing Services ("Regent Publishing"), and 3) Asia manufacturing units in Singapore and Australia, delivered encouraging results. For the first half of 2019, the Group recorded a year-on-year increase of 5% in turnover to about HK$841 million. Profit before taxation was flat compared to 2018 at HK$90 million and Group net profit after tax attributable to owner came in lower at HK$64 million, a drop of 4% due to higher taxation costs.

The US will impose a 15% tariff on most printed books from China starting September 2019. Even though the tariff is lower than the original US' threat of 25 percent, we believe President Trump's policy of "America First" will stay in place in the foreseeable future. We expect the US to continue pursuing actions on Chinese imports with existing and new trade sanctions, punitive tariffs, and other trade measures. China's manufacturing sector is undergoing transition as years of rising wages have eroded China's cost advantage. Wages will continue to rise in the long term due to China's declining working-age population and diminishing low-cost labour pool as new workforce entering the market are better educated. Price of paper in the China market will maintain the current upward trajectory as existing paper suppliers are not increasing their capacity and no new substantial suppliers have entered the market. Demand for paper will continue to grow and the surplus capacity is expected to be absorbed by domestic demand in 2021. In face of these macro trends working against the printing industry in China, we foresee the overall sector to be reduced by 30% in 5 years' time. However, building upon the investments in business process automation, business diversification and manufacturing footprint in Singapore and Australia that we have made in recent years, we are well positioned to maintain our leadership position in the book printing sector in Asia.

A. PRINT MANUFACTURING

1010 Printing, China manufacturing and international sales operations:

Sales turnover registered a 20% year-on-year increase. This increase was mainly due to the completion of a major project delivering 30 million print copies. Our China plant is among the most efficient book printing operations in the country, and the upgrade that we have made to the facilities in the past two years has brought considerable improvement in direct costs and gross margin.

Left Field Printing Group, Australia manufacturing:

Left Field Printing experienced a decrease of 10% in sales turnover due to the depreciation of Australian Dollars. The government sector continues to follow the national policy to go paperless. The Left Field management is working on several initiatives to enable optimal production efficiency.

COS, Singapore manufacturing:

COS managed to deliver a 24% increase in sales turnover. With a strict cost control, COS enjoyed a 22% increase in profit after tax. In anticipation of US' tariffs on Chinese imports, the management is expanding the capacity in Singapore to serve as an alternative production choice in Asia.

B. PRINT SERVICES MANAGEMENT

APOL Group, international sales operations:

The first half was challenging for APOL as US customers delayed their orders due to the uncertainty of tariffs on Chinese imports. APOL also faced strong competition from printers who are keen to capitalize on that uncertainty to grow their market shares. Even though our customers continued to place large volumes of work, the lack of blockbuster titles this year will be a drag on revenue. With the global trade environment stabilizing, we expect APOL to return to growth in 2020 as we expand our product offerings in the non-book merchandise and games categories.

Regent, Hong Kong sales operation:

Regent has achieved solid growth in the first half with a 21% year-on-year increase in sales turnover and the net profit after tax increased by 68%. With a greater exposure to the US market, the Regent management is working on the mitigation of tariff increases.

C. PUBLISHING

The Quarto Group

Our investment in Quarto and participation in its management is in line with the Group's diversification strategy. In the past 6 months, the Group has helped Quarto with the on-going deleveraging exercise, development of backend business processes and implementation of a vendor management system. The results of Quarto's turnaround have been encouraging as net revenue for the 6 months ended 30 June 2019 slightly beat expectations to reach US$56 million. Looking forward, we will complete the strengthening of Quarto's balance sheet by the end of 2019 and focus on improving our offerings from 2020. We expect Quarto to become the Group's third growth engine in the near future.

PROSPECTS

Given the challenges of trade war and rising costs in China, we are considering establishing alternative printing base outside of China. So far, we have positioned our manufacturing subsidiary in Singapore – COS as an immediate alternative for our US customers in case of any supply chain disruptions by trade tariffs. But a long-term strategic solution is required, and management have visited possible sites in Singapore and Malaysia. Malaysia is the more favourable candidate as worker wages there are 50% lower than China's. We are diligently evaluating all factors to make sure there is a way to reach critical mass for the alternative base to become financially sustainable.

FINANCIAL REVIEW

Turnover for the six months ended 30 June 2019 increased by 5% to approximately HK$841.4 million (2018: HK$800.9 million). The increase was mainly contributed by the increase in sales from 1010 upon completion of a 30 million print copies project and the increase in sales in the Regent division upon securing of large orders in the first half of the year.

Gross profit margin increased slightly from 27.3% to 28.0%. The increase was a result of lower fixed production cost ratio compared with the increase in sales during the period.

Other income decreased by approximately HK$29.8 million to approximately HK$19.8 million for the six months ended 30 June 2019. The decrease was primarily due to the one off gain on deregistration of subsidiary in New Zealand recognised in 2018.

Selling and distribution expenses remain stable despite the increase in sales for the period. Selling and distribution expenses against sales decreased from 12.4% in 2018 to 11.8% in 2019. The decrease was a result of the decrease in agency commission attributable to sales in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses decreased from approximately HK$57.2 million for the six months ended 30 June 2018 to approximately HK$50.1 million for the six months ended 30 June 2019. The decrease was primarily due to the loss on deemed disposal of available-for-sale investment in 2018 of HK$7.5 million.

Other expenses decreased from approximately HK$19.5 million for the six months ended 30 June 2018 compared to HK$3.1 million for the same period in 2019. The higher other expenses in 2018 was mainly due to the listing expenses of approximately HK$16.0 million incurred on the delisting of OPUS Group Limited from Australian Securities Exchange and the listing of Left Field on the Main Board of the Stock Exchange of Hong Kong.

Finance cost increased from approximately HK$1.4 million for the six months ended 30 June 2018 to approximately HK$7.8 million for the same period in 2019. The increase was due to the increase in interest expenses on bank borrowing of approximately HK$5.7 million and the interest on lease liabilities of approximately HK$1.9 million upon adoption of HKFRS16.

Income tax expenses for the period increased to approximately HK$16.9 million for the six months ended 30 June 2019 from approximately HK$12.9 million for the same period in 2018. The lower income tax in 2018 was due to the non-taxable gain arose from the deregistration of subsidiary in New Zealand as mentioned above.

Share of loss of associate increased by HK$3.4 million due to the inclusion of half year result in The Quarto Group Inc.

Profit attributable to owners of the Company amounted to approximately HK$64.1 million in 2019 (2018: HK$67.0 million), a 4% decrease compared to the same period in last year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2019, the Group had net current assets of approximately HK$634.1 million (31 December 2018: HK$677.3 million) of which the cash and bank deposits were approximately HK$473.7 million (31 December 2018: HK$508.3 million). The Group's current ratio was approximately 2.1 (31 December 2018: 2.2).

Total bank borrowings as at 30 June 2019 were approximately HK$271.3 million (31 December 2018: HK$286.0 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 2019 was 31.6% (31 December 2018: 24.8% and 1 January 2019: 32.9%), 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$51.4 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 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 2019, the Group had committed to acquire machinery of approximately HK$21.5 million. The acquisition will be financed by the Group's internal resources.

The Group had no significant contingent liability as at 30 June 2019.

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 2019 together with the comparative unaudited figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	(Unaudited) Six months ended 30 June 2019	2018
		HK$'000	HK$'000
Revenue	3	841,434	800,861
Direct operating costs		(606,061)	(581,871)
Gross profit		235,373	218,990
Other income		19,827	49,587
Selling and distribution costs		(99,299)	(99,170)
Administrative expenses		(50,142)	(57,228)
Other expenses		(3,148)	(19,528)
Finance costs	4	(7,830)	(1,432)
Share of result of associate		(4,553)	(1,195)
Profit before income tax	5	90,228	90,024
Income tax expense	6	(16,939)	(12,865)
Profit for the period		73,289	77,159
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		(10,685)	(10,775)
Fair value loss on available-for-sale investment		–	(12,551)
Release from reserve on deemed disposal of available-for-sale investment		–	7,451
Exchange reserve released upon deregistration of foreign subsidiary		–	(28,311)
Share of other comprehensive income of associate		(248)	(1,510)
Other comprehensive income for the period, net of tax		(10,933)	(45,696)
Total comprehensive income for the period		62,356	31,463
Profit for the period attributable to:			
Owners of the Company		64,101	66,953
Non-controlling interests		9,188	10,206
		73,289	77,159
Total comprehensive income attributable to:			
Owners of the Company		56,260	29,549
Non-controlling interests		6,096	1,914
		62,356	31,463
Earnings per share for profit attributable to owners of the Company during the period	7		
– Basic		HK8.32 cents	HK8.70 cents
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	(Unaudited) At 30 June 2019 HK$'000	(Audited) At 31 December 2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	172,636	143,369
Right-of-use assets	9	73,716	–
Deposits for acquisition of property, plant and equipment		10,364	39,645
Intangible assets		176,798	180,952
Interest in associate	10	58,137	56,168
Loan to associate		53,600	53,600
Other non-current assets		3,017	2,804
Deferred tax assets		34,248	34,332
		582,516	510,870
Current assets			
Inventories		183,907	179,818
Trade and other receivables and deposits	11	547,381	533,956
Financial assets at fair value through profit or loss	20	207	673
Pledged deposits		5,650	5,808
Cash and cash equivalents		473,720	508,321
		1,210,865	1,228,576
Current liabilities			
Trade and other payables	12	247,831	234,498
Bank borrowings	13	271,275	286,040
Finance lease liabilities		–	605
Lease liabilities		24,522	–
Provisions		19,859	20,917
Provision for taxation		13,282	9,265
		576,769	551,325
Net current assets		634,096	677,251
Total assets less current liabilities		1,216,612	1,188,121
Non-current liabilities			
Provisions		3,992	3,759
Financial liabilities arising from put option		14,783	14,588
Finance lease liabilities		–	1,935
Lease liabilities		61,273	–
Deferred tax liabilities		4,728	5,771
		84,776	26,053
Net assets		1,131,836	1,162,068
EQUITY			
Share capital	14	7,700	7,700
Reserves		1,026,486	1,036,738
Equity attributable to owners of the Company		1,034,186	1,044,438
Non-controlling interests		97,650	117,630
Total equity		1,131,836	1,162,068

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	(Unaudited) For the six months ended 30 June 2019	2018
	HK$'000	HK$'000
Operating activities		
Profit before income tax	90,228	90,024
Adjustments for:		
Share of result of associate	4,553	1,195
Depreciation	28,231	18,150
Amortisation of intangible asset	1,617	1,617
Impairment of receivables	3,148	3,526
Interest income	(4,371)	(2,374)
Interest expenses	7,830	1,432
Gain on financial assets/liabilities at fair value through profit and loss	(690)	(28)
Gain on disposal of property, plant and equipment	(1,357)	(5,124)
Loss on deemed disposal of available-for-sale investment	–	7,451
Gain on deregistration of subsidiary	–	(28,311)
Operating profit before working capital changes	129,189	87,558
Increase in inventories	(5,472)	(56,450)
Increase in trade and other receivables	(16,401)	(30,998)
Increase in trade and other payables and provisions	15,762	4,152
Increase (decrease) in financial assets/liabilities at fair value through profit or loss	1,156	(4,172)
Cash generated from operations	124,234	90
Income taxes paid	(13,231)	(8,528)
Net cash generated from (used in) operating activities	111,003	(8,438)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2019

	(Unaudited) For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Investing activities		
Interest received	4,371	2,374
Purchases of property, plant and equipment	(51,365)	(8,453)
Decrease (increase) in deposit for acquisition of property, plant and equipment	29,646	(57,154)
Proceeds from disposals of property, plant and equipment	1,671	5,244
Proceeds from lease receivables	1,692	–
Purchase of available-for-sale financial assets	–	(11,947)
Purchase of additional interest in associate	(6,881)	–
Purchase of additional interest in subsidiary	(22,200)	–
Net cash used in investing activities	(43,066)	(69,936)
Financing activities		
Bank borrowings raised	–	73,640
Repayment of bank borrowings	(14,765)	(15,225)
Interest on bank borrowings paid	(5,682)	(1,191)
Repayment of principal portion of lease liabilities	(12,522)	(160)
Interest paid on lease liabilities	(1,953)	(46)
Dividends paid	(53,900)	(50,050)
Dividends paid to non-controlling interests	(9,619)	(3,572)
Net cash (used in) generated from financing activities	(98,441)	3,396
Net decrease in cash and cash equivalents	(30,504)	(74,978)
Effect of exchange rate fluctuations, net	(4,097)	(6,540)
Cash and cash equivalents at the beginning of the period	508,321	424,217
Cash and cash equivalents at the end of the period	473,720	342,699
Analysis of balances of cash and cash equivalents		
Bank balances and cash	469,546	342,442
Cash at brokers	4,174	257
	473,720	342,699

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2019

	Attributable to owners of the Company													
	Share capital	Share premium	Exchange reserve	Merger reserve	Contributed surplus	Put option Reserve	Statutory reserve	Other reserve	Shares held under share award scheme	Proposed final dividend	Retained earnings	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 31 December 2018 as originally presented (Audited)	7,700	173,078	(68,542)	(136,875)	310,125	(13,906)	737	6,421	(5)	53,900	711,805	1,044,438	117,630	1,162,068
Effect on adoption of HKFRS16 (note 2)	–	–	–	–	–	–	–	–	–	–	(6,617)	(6,617)	(252)	(6,869)
Balance at 1 January 2019 (Restated)	7,700	173,078	(68,542)	(136,875)	310,125	(13,906)	737	6,421	(5)	53,900	705,188	1,037,821	117,378	1,155,199
2018 final dividend paid	–	–	–	–	–	–	–	–	–	(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)
Transactions with owners	–	–	–	–	–	–	–	(5,995)	–	(53,900)	–	(59,895)	(25,824)	(85,719)
Profit for the period	–	–	–	–	–	–	–	–	–	–	64,101	64,101	9,188	73,289
Other comprehensive income														
Currency translation	–	–	(7,593)	–	–	–	–	–	–	–	–	(7,593)	(3,092)	(10,685)
Share of other comprehensive expense of associate	–	–	(206)	–	–	–	–	–	–	–	(42)	(248)	–	(248)
Total comprehensive income for the period	–	–	(7,799)	–	–	–	–	–	–	–	64,059	56,260	6,096	62,356
Balance at 30 June 2019 (Unaudited)	7,700	173,078	(76,341)	(136,875)	310,125	(13,906)	737	426	(5)	–	769,247	1,034,186	97,650	1,131,836

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

For the six months ended 30 June 2019

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

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 2019 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.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2018 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2019. This is the first set of the Group's financial statements in which Hong Kong Financial Reporting Standard 16 Leases ("HKFRS 16") has been adopted. Details of any changes in accounting policies are set out below. Except for the adoption of HKFRS 16, the adoption of the new and revised HKFRSs have no material effect on these condensed consolidated interim financial statements. The Group has not early adopted any new and revised HKFRSs that has been issued but not yet effective in the current accounting period.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2018 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") and should be read in conjunction with the 2018 consolidated financial statements.

2. BASIS OF PREPARATION (CONTINUED)

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features and Negative Compensation
- Amendments to HKAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015-2017 Cycle

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease ("HK(IFRIC)-Int 4"), HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases.

From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

2. BASIS OF PREPARATION (CONTINUED)

(i) Impact of the adoption of HKFRS 16 (Continued)

The following tables summarised the impact of transition to HKFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	Increase/ (decrease) HK$'000 Unaudited
Assets	
Property, plant and equipment	(2,985)
Right-of-use assets	82,461
Deferred tax assets	1,039
Trade and other receivables	4,530
Total assets	85,045
Liabilities	
Trade and other payables	(1,311)
Finance lease liabilities	(2,540)
Lease liabilities	95,765
Total liabilities	91,914
Equity	
Retained earnings	(6,617)
Non-controlling interests	(252)
Total equity	(6,869)

2. BASIS OF PREPARATION (CONTINUED)

(i) Impact of the adoption of HKFRS 16 (Continued)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 January 2019:

	HK$'000 Unaudited
Operating lease commitment as at 31 December 2018	69,510
Discounted operating lease commitment as at 1 January 2019	62,258
Add: Extension options reasonably certain to be exercised	32,791
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019 and low-value assets	(1,824)
	93,225
Add: Obligations under finance leases recognised at 31 December 2018	2,540
Lease liabilities as at 1 January 2019	95,765

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

2. BASIS OF PREPARATION (CONTINUED)

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has leased mobile phones, laptop computers and photocopying machines) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

The Group has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

2. BASIS OF PREPARATION (CONTINUED)

(iii) Accounting as a lessee (Continued)

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group has subleased out its leased property to a tenant. These subleases were classified as operating leases applying HKAS 17 but finance leases applying HKFRS 16, the Group accounts for these subleases as new finance leases entered into at the date of initial application.

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

2. BASIS OF PREPARATION (CONTINUED)

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

The Group has also leased certain property, plant and equipment which previously were classified as finance leases under HKAS 17. As the Group has elected to adopt the cumulative effect method over the adoption of HKFRS 16, for those finance leases under HKAS 17, the right-of-use assets and the corresponding lease liabilities at 1 January 2019 were the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets and the lease liabilities applying HKFRS 16 from 1 January 2019.

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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
United States of America	304,901	290,288
Australia	274,308	264,750
United Kingdom	138,057	123,367
Spain	48,700	48,742
Mexico	25,295	25,446
Germany	15,784	12,380
New Zealand	7,712	8,891
Singapore	7,175	5,591
Canada	5,082	4,971
Brazil	1,639	3,879
Guatemala	2,083	2,828
El Salvador	1,599	1,231
Hong Kong (domicile)	376	344
Others	8,723	8,153
	841,434	800,861

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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Reportable segment profit	102,611	92,651
Finance costs	(7,830)	(1,432)
Share of result of associate	(4,553)	(1,195)
Profit before income tax	90,228	90,024

4. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest charges on bank borrowings, which contain a repayment on demand clause, wholly repayable within five years	5,682	1,191
Interest on put option liability	195	195
Interest on lease liabilities and finance lease charges	1,953	46
	7,830	1,432

5. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Depreciation of property, plant and equipment	16,785	18,150
Depreciation of right-of-use assets	11,446	–
Amortisation of intangible asset	1,617	1,617
Employee benefit expenses	157,779	157,563
Loss on deemed disposal of available-for-sale investment	–	7,451
Gain on financial assets at fair value through profit or loss	(690)	(28)
Net foreign exchange (gain) loss	(1,952)	1,709
Gain on disposals of property, plant and equipment	(1,357)	(5,124)
Gain on deregistration of subsidiary	–	(28,311)
Interest income	(4,371)	(2,374)

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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
The charge comprises:		
Hong Kong profits tax		
– Current year	12,157	9,445
Overseas tax		
– Current year	5,251	8,968
Deferred taxation		
– current year	(469)	(5,548)
	16,939	12,865

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Earnings for the purposes of basic earnings per share for the period	64,101	66,953

	Number of shares ('000)	
	2019	2018
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	769,997	769,997

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

8. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Furniture and fixtures	Office equipment	Leasehold 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 2019								
Cost	11,031	5,110	8,701	61,574	13,700	4,535	328,722	433,373
Accumulated depreciation	(4,730)	(4,969)	(5,781)	(52,833)	(12,627)	(3,032)	(206,032)	(290,004)
Net book amount	6,301	141	2,920	8,741	1,073	1,503	122,690	143,369
Period ended 30 June 2019								
Opening net book amount	6,301	141	2,920	8,741	1,073	1,503	122,690	143,369
On adoption of HKFRS 16	–	–	–	(626)	–	–	(2,359)	(2,985)
Exchange differences	(165)	–	(21)	(116)	(15)	(13)	(1,684)	(2,014)
Additions	–	8	77	4,419	342	613	45,906	51,365
Disposals	–	(5)	–	–	–	–	(309)	(314)
Depreciation	(470)	(25)	(349)	(1,649)	(321)	(320)	(13,651)	(16,785)
Closing net book amount	5,666	119	2,627	10,769	1,079	1,783	150,593	172,636
At 30 June 2019								
Cost	10,730	5,051	8,732	64,522	13,899	4,673	367,768	475,375
Accumulated depreciation	(5,064)	(4,932)	(6,105)	(53,753)	(12,820)	(2,890)	(217,175)	(302,739)
Net book amount	5,666	119	2,627	10,769	1,079	1,783	150,593	172,636

At 30 June 2019 and 31 December 2018, the Group's freehold land and buildings were situated in Australia.

9. RIGHT-OF-USE ASSETS

	(Unaudited) HK$'000
At 1 January 2019 on adoption of HKFRS16	82,461
Exchange realignment	(342)
Addition	3,043
Depreciation during the period	(11,446)
Carrying amount at 30 June 2019	73,716

10. INTEREST IN ASSOCIATE

	At 30 June 2019 (Unaudited)	At 31 December 2018 (Audited)
	HK$'000	HK$'000
Share of net (liabilities) assets other than goodwill	(2,408)	3,397
Goodwill	60,545	52,771
	58,137	56,168

During the period, the Group purchased additional 5.28% equity interest in The Quarto Group, Inc. ("Quarto"), an associate listed in the London Stock Exchange, through market trading, with a consideration of approximately HK$6,881,000. As a result, the equity interest in Quarto held by the Group increased to 25.41%.

11. TRADE AND OTHER RECEIVABLES AND DEPOSITS

The Group generally allows a credit period from 30 to 150 days to its trade customers. Ageing analysis of trade receivables as at 30 June 2019, based on sales invoice date, is as follows:

	At 30 June 2019 (Unaudited)	At 31 December 2018 (Audited)
	HK$'000	HK$'000
0 – 30 days	182,396	136,165
31 – 60 days	82,759	96,002
61 – 90 days	116,334	73,762
91 – 120 days	55,227	63,344
121 – 150 days	10,153	28,678
Over 150 days	53,340	57,345
Total trade receivables	500,209	455,296
Less: Provision for impairment	(10,287)	(7,638)
Net trade receivables	489,922	447,658
Other receivables and deposits	57,459	86,298
	547,381	533,956

12. TRADE AND OTHER PAYABLES

As at 30 June 2019, the ageing analysis of trade payables based on invoice date is as follows:

	At 30 June 2019 (Unaudited)	At 31 December 2018 (Audited)
	HK$'000	HK$'000
0 – 30 days	84,615	64,252
31 – 60 days	35,405	27,550
61 – 90 days	21,367	18,789
91 – 120 days	499	1,172
Over 120 days	2,706	443
Total trade payables	144,592	112,206
Other payables and accruals	103,239	122,292
	247,831	234,498

13. BANK BORROWINGS

During the six months ended 30 June 2019, no bank borrowing was raised (30 June 2018: HK$73,640,000) and repayments of bank loans amounting to HK$14,765,000 (30 June 2018: HK$15,225,000) were made in line with the relevant repayment terms.

All bank borrowings as at 30 June 2019 are secured by the corporate guarantees from the Company.

14. SHARE CAPITAL

	No. of shares	Amount
	('000)	HK$'000
Authorised:		
Ordinary shares of HK$0.01 each	1,000,000	10,000
Issued and fully paid:		
At 1 January 2019 and 30 June 2019	770,000	7,700

15. CAPITAL COMMITMENTS

As at 30 June 2019, the Group had capital commitment contracted but not provided for in respect of the acquisition of property, plant and equipment of approximately HK$21,506,000 (31 December 2018: HK$9,278,000).

16. DIVIDENDS

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Final dividend in respect of the year ended 31 December 2018, approved and paid during the interim period of HK$0.07 (2018: HK$0.065) per share	53,900	50,050
	53,900	50,050

(b) Dividends attributable to the interim period

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interim dividends declared – HK$0.030 (2018: HK$0.030) per share (Note)	23,100	23,100

Note:

The amount of the interim dividend declared for the six months ended 30 June 2019, 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 2019.

17. NON-CONTROLLING INTERESTS

In June 2019, Bookbuilders BVI Limited ("Bookbuilders"), an indirect wholly owned subsidiary of the Company, acquired 30,000,000 ordinary shares in Left Field Printing Group Limited ("Left Field"), a listed subsidiary of Bookbuilders at a consideration of HK$22,200,000. As a result of the transaction, the equity interests in Left Field held by the Group was increased from 62.05% to 67.97%. The increase in proportionate share of the carrying amount of net assets of HK$5,995,000 was debited to other reserve.

18. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Trade receivables from associate	74,952	45,143
Printing income from associate	36,864	12,539

(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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Short-term remuneration	3,269	3,690
Post-employment benefit	80	84
	3,349	3,774

19. CONTINGENT LIABILITIES

As at 30 June 2019, the Group had no significant contingent liabilities (31 December 2018: Nil).

20. FAIR VALUE MEASUREMENT

(i) Recurring fair value measurements

	At 30 June 2019 (unaudited)		At 31 December 2018 (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	207	–	673	–
Net fair values	207	–	673	–
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	–	–	–	–
Net fair values	–	–	–	–

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

Trade and other receivables, trade and other payables, bank borrowings, finance lease liabilities, 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 2019 and 31 December 2018.

(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 2019, 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	Family Interests	Corporate Interests	Total Interests	Percentage to the issued share capital of the Company
	(Shares)	(Shares)	(Shares)	(Shares)	(%)
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	Family Interests	Corporate Interests	Total Interests	Percentage to the issued share capital of the Company
	(Shares)	(Shares)	(Shares)	(Shares)	(%)
Mr. Lau Chuk Kin (Note 3)	Nil	Nil	344,521,734	344,521,734	67.97

OTHER DISCLOSURES

(c) Long Position in the shares of The Quarto Group, Inc. ("Quarto"), an associated corporation of the Company

Name of Directors	Personal Interests	Family Interests	Corporate Interests	Total Interests	Percentage to the issued share capital of the Company
	(Shares)	(Shares)	(Shares)	(Shares)	(%)
Mr. Lau Chuk Kin (Note 4)	1,679,743	Nil	5,194,929	6,874,672	33.63

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 2019, 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 2019, 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: The shares are beneficially owned by Bookbuilders BVI Ltd. As at 30 June 2019, 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: Of 6,874,672 shares, 5,194,929 shares are beneficially owned by 1010 Printing Ltd. As at 30 June 2019, 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 2019, 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.

OTHER DISCLOSURES

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, 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:

	Nature of interest			
Name of shareholder	Beneficial Owner	Interest in controlled corporation	Total Interests	Percentage to the issued share capital of the Company
	(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 and 8,297,391 shares are beneficially owned by City Apex Ltd. and ER2 Holdings respectively. ER2 Holdings was the ultimate holding company of City Apex Ltd. As at 30 June 2019, 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: 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: Of 61,640,976 shares, 41,665,808 shares are beneficially owned by Preferable Situation Assets Limited. According to the record kept by the Company, as at 30 June 2019, 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 2019, 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.

OTHER DISCLOSURES

SHARE AWARD SCHEME

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

During the six months period ended 30 June 2019, no share award was granted and no shares were purchased under the 1010 Share Award Scheme. At 30 June 2019, 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 2019, 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 2019, 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 2019.

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 2019.

OTHER DISCLOSURES

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2019, the Group had around 1,348 full-time employees (30 June 2018: 1,224). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employee benefits include share award, provident fund, insurance and medical cover.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to recommend the payment of an interim dividend of HK$0.030 (2018: HK$0.030) per ordinary share for the six months ended 30 June 2019 to shareholders whose names appear on the register of holders of ordinary shares of the Company as at the close of business on 16 September 2019. The register of shareholders will be closed on 16 September 2019, 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 13 September 2019. The dividend is expected to be paid on 2 October 2019.

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 2019 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, 28 August 2019

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 *FCPA, 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

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISER

LF Legal
Suite 1001-02
10/F, No.135 Bonham Strand
Sheung Wan
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
No. 1 Queen's Road Central
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

Principal Registrar

MUFG Fund Services (Bermuda) Limited
4th floor North Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

Hong Kong Branch Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712 – 1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

26/F, 625 King's Road
North Point
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STOCK CODE

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LION ROCK GROUP

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