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**LION ROCK GROUP LIMITED**

獅子山集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock code: 1127)

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

|                                 |       | (Unaudited)      |                |
|---------------------------------|-------|------------------|----------------|
|                                 |       | Six months ended |                |
|                                 |       | 30 June          |                |
|                                 |       | 2021             | 2020           |
|                                 | Notes | HK\$'000         | HK\$'000       |
| <b>Revenue</b>                  | 3     | 776,605          | 638,820        |
| Direct operating costs          |       | (580,887)        | (475,088)      |
| <b>Gross profit</b>             |       | <u>195,718</u>   | <u>163,732</u> |
| 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)        |
| <b>Profit before income tax</b> | 5     | <u>61,665</u>    | <u>43,784</u>  |
| Income tax expense              | 6     | (14,171)         | (10,761)       |
| <b>Profit for the period</b>    |       | <u>47,494</u>    | <u>33,023</u>  |

\* For identification purpose only

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2021 (CONTINUED)**

|                                                                                              | <i>Notes</i> | <b>(Unaudited)</b>      |                 |
|----------------------------------------------------------------------------------------------|--------------|-------------------------|-----------------|
|                                                                                              |              | <b>Six months ended</b> |                 |
|                                                                                              |              | <b>30 June</b>          |                 |
|                                                                                              |              | <b>2021</b>             | <b>2020</b>     |
|                                                                                              |              | <b>HK\$'000</b>         | <b>HK\$'000</b> |
| <b>Other comprehensive income</b>                                                            |              |                         |                 |
| <b>Items that may be reclassified subsequently to profit or loss:</b>                        |              |                         |                 |
| Exchange loss on translation of financial statements of foreign operations                   |              | <b>(5,867)</b>          | (13,719)        |
| Share of other comprehensive income of associate                                             |              | <b>616</b>              | (3,913)         |
| <b>Other comprehensive income for the period, net of tax</b>                                 |              | <b>(5,251)</b>          | (17,632)        |
| <b>Total comprehensive income for the period</b>                                             |              | <b>42,243</b>           | 15,391          |
| <br>                                                                                         |              |                         |                 |
| <b>Profit for the period attributable to:</b>                                                |              |                         |                 |
| Owners of the Company                                                                        |              | <b>41,297</b>           | 29,311          |
| Non-controlling interests                                                                    |              | <b>6,197</b>            | 3,712           |
|                                                                                              |              | <b>47,494</b>           | 33,023          |
| <br>                                                                                         |              |                         |                 |
| <b>Total comprehensive income attributable to:</b>                                           |              |                         |                 |
| Owners of the Company                                                                        |              | <b>38,483</b>           | 14,622          |
| Non-controlling interests                                                                    |              | <b>3,760</b>            | 769             |
|                                                                                              |              | <b>42,243</b>           | 15,391          |
| <br>                                                                                         |              |                         |                 |
| <b>Earnings per share for profit attributable to owners of the Company during the period</b> | <b>7</b>     |                         |                 |
| - Basic                                                                                      |              | <b>HK 5.58 cents</b>    | HK 3.81 cents   |
| - Diluted                                                                                    |              | <b>HK 5.54 cents</b>    | N/A             |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021**

|                                                            |              | (Unaudited)<br>At 30 June<br>2021<br><i>HK\$'000</i> | (Audited)<br>At 31 December<br>2020<br><i>HK\$'000</i> |
|------------------------------------------------------------|--------------|------------------------------------------------------|--------------------------------------------------------|
|                                                            | <i>Notes</i> |                                                      |                                                        |
| <b>ASSETS AND LIABILITIES</b>                              |              |                                                      |                                                        |
| <b>Non-current assets</b>                                  |              |                                                      |                                                        |
| 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                                                 |
|                                                            |              | <u>815,211</u>                                       | <u>746,411</u>                                         |
| <b>Current assets</b>                                      |              |                                                      |                                                        |
| 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                                                |
|                                                            |              | <u>1,089,638</u>                                     | <u>1,119,702</u>                                       |
| <b>Current liabilities</b>                                 |              |                                                      |                                                        |
| 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                                                  |
|                                                            |              | <u>540,221</u>                                       | <u>501,970</u>                                         |
| <b>Net current assets</b>                                  |              | <u>549,417</u>                                       | <u>617,732</u>                                         |
| <b>Total assets less current liabilities</b>               |              | <u>1,364,628</u>                                     | <u>1,364,143</u>                                       |
| <b>Non-current liabilities</b>                             |              |                                                      |                                                        |
| Other payable                                              |              | -                                                    | 3,019                                                  |
| Provisions                                                 |              | 4,373                                                | 4,398                                                  |
| Lease liabilities                                          |              | 57,060                                               | 67,436                                                 |
| Deferred tax liabilities                                   |              | 12,438                                               | 12,574                                                 |
|                                                            |              | <u>73,871</u>                                        | <u>87,427</u>                                          |
| <b>Net assets</b>                                          |              | <u>1,290,757</u>                                     | <u>1,276,716</u>                                       |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021 (CONTINUED)**

|                                                     |              | (Unaudited)<br>At 30 June<br>2021<br><i>HK\$'000</i> | (Audited)<br>At 31 December<br>2020<br><i>HK\$'000</i> |
|-----------------------------------------------------|--------------|------------------------------------------------------|--------------------------------------------------------|
|                                                     | <i>Notes</i> |                                                      |                                                        |
| <b>EQUITY</b>                                       |              |                                                      |                                                        |
| Share capital                                       | 14           | 7,700                                                | 7,700                                                  |
| Reserves                                            |              | 1,160,151                                            | 1,140,802                                              |
| <b>Equity attributable to owners of the Company</b> |              | <u>1,167,851</u>                                     | <u>1,148,502</u>                                       |
| <b>Non-controlling interests</b>                    |              | 122,906                                              | 128,214                                                |
| <b>Total equity</b>                                 |              | <u>1,290,757</u>                                     | <u>1,276,716</u>                                       |

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

|                                                                                 | (Unaudited)              |                 |
|---------------------------------------------------------------------------------|--------------------------|-----------------|
|                                                                                 | For the six months ended |                 |
|                                                                                 | 30 June                  |                 |
|                                                                                 | 2021                     | 2020            |
|                                                                                 | <i>HK\$'000</i>          | <i>HK\$'000</i> |
| 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)            |
|                                                                                 | <u>97,707</u>            | <u>98,025</u>   |
| Operating profit before working capital changes                                 |                          |                 |
| 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           |
|                                                                                 | <u>51,229</u>            | <u>26,921</u>   |
| Cash generated from operations                                                  |                          |                 |
| Income taxes paid                                                               | (11,242)                 | (27,058)        |
|                                                                                 | <u>39,987</u>            | <u>(137)</u>    |
| Net cash generated from (used in) operating activities                          |                          |                 |
| 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)        |
|                                                                                 | <u>(98,258)</u>          | <u>(86,067)</u> |
| Net cash used in investing activities                                           |                          |                 |

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021 (CONTINUED)**

|                                                          | (Unaudited)              |                 |
|----------------------------------------------------------|--------------------------|-----------------|
|                                                          | For the six months ended |                 |
|                                                          | 30 June                  |                 |
|                                                          | 2021                     | 2020            |
|                                                          | <i>HK\$'000</i>          | <i>HK\$'000</i> |
| Financing activities                                     |                          |                 |
| Bank borrowings raised                                   | <b>140,000</b>           | 75,000          |
| Repayment of bank borrowings                             | <b>(101,958)</b>         | (58,450)        |
| Interest on bank borrowings paid                         | <b>(2,354)</b>           | (4,991)         |
| Repayment of principal portion of lease liabilities      | <b>(16,165)</b>          | (14,547)        |
| Interest paid on lease liabilities                       | <b>(2,010)</b>           | (2,180)         |
| Dividends paid                                           | <b>(37,021)</b>          | (30,800)        |
| Dividends paid to non-controlling interests              | <b>(9,068)</b>           | (8,119)         |
| Capital injection from non-controlling shareholder       | <b>-</b>                 | 2,013           |
| Net cash used in financing activities                    | <b>(28,576)</b>          | (42,074)        |
| Net decrease in cash and cash equivalents                | <b>(86,847)</b>          | (128,278)       |
| Effect of exchange rate fluctuations, net                | <b>(2,910)</b>           | (2,753)         |
| Cash and cash equivalents at the beginning of the period | <b>502,291</b>           | 495,707         |
| Cash and cash equivalents at the end of the period       | <b>412,534</b>           | 364,676         |
| Analysis of balances of cash and cash equivalents        |                          |                 |
| Bank balances and cash                                   | <b>411,797</b>           | 363,971         |
| Cash at brokers                                          | <b>737</b>               | 705             |
|                                                          | <b>412,534</b>           | 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-               | Total                              |                     |
|------------------------------------------------------------|---------------------------------------|----------------------------|-------------------------------|-----------------------------|----------------------------------|---------------------------------|--------------------------------|----------------------------|--------------------------------------------|-----------------------------------------|--------------------------------------|--------------------------------|--------------------|------------------------------------|---------------------|
|                                                            | Share capital<br>HK\$ '000            | Share premium<br>HK\$ '000 | Exchange reserve<br>HK\$ '000 | Merger reserve<br>HK\$ '000 | Contributed surplus<br>HK\$ '000 | Put option reserve<br>HK\$ '000 | Statutory reserve<br>HK\$ '000 | Other reserve<br>HK\$ '000 | Employee compensation reserve<br>HK\$ '000 | Share award scheme reserve<br>HK\$ '000 | Proposed final dividend<br>HK\$ '000 | Retained earnings<br>HK\$ '000 | Total<br>HK\$ '000 | controlling interests<br>HK\$ '000 | equity<br>HK\$ '000 |
| <b>Balance at 1 January 2021</b>                           | <b>7,700</b>                          | <b>173,078</b>             | <b>(44,174)</b>               | <b>(136,875)</b>            | <b>310,125</b>                   | <b>(13,906)</b>                 | <b>737</b>                     | <b>(1,738)</b>             | <b>788</b>                                 | <b>(21,618)</b>                         | <b>38,500</b>                        | <b>835,885</b>                 | <b>1,148,502</b>   | <b>128,214</b>                     | <b>1,276,716</b>    |
| 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              |
| <b>Transactions with owners</b>                            | <b>-</b>                              | <b>-</b>                   | <b>-</b>                      | <b>-</b>                    | <b>-</b>                         | <b>13,906</b>                   | <b>-</b>                       | <b>-</b>                   | <b>2,423</b>                               | <b>-</b>                                | <b>(38,500)</b>                      | <b>3,037</b>                   | <b>(19,134)</b>    | <b>(9,068)</b>                     | <b>(28,202)</b>     |
| Profit for the period                                      | -                                     | -                          | -                             | -                           | -                                | -                               | -                              | -                          | -                                          | -                                       | -                                    | 41,297                         | 41,297             | 6,197                              | 47,494              |
| <b>Other comprehensive income</b>                          |                                       |                            |                               |                             |                                  |                                 |                                |                            |                                            |                                         |                                      |                                |                    |                                    |                     |
| Currency translation                                       | -                                     | -                          | (3,430)                       | -                           | -                                | -                               | -                              | -                          | -                                          | -                                       | -                                    | -                              | (3,430)            | (2,437)                            | (5,867)             |
| Share of other comprehensive expense of associate          | -                                     | -                          | 497                           | -                           | -                                | -                               | -                              | -                          | -                                          | -                                       | -                                    | 119                            | 616                | -                                  | 616                 |
| <b>Total comprehensive income for the period</b>           | <b>-</b>                              | <b>-</b>                   | <b>(2,933)</b>                | <b>-</b>                    | <b>-</b>                         | <b>-</b>                        | <b>-</b>                       | <b>-</b>                   | <b>-</b>                                   | <b>-</b>                                | <b>-</b>                             | <b>41,416</b>                  | <b>38,483</b>      | <b>3,760</b>                       | <b>42,243</b>       |
| <b>Balance at 30 June 2021 (Unaudited)</b>                 | <b>7,700</b>                          | <b>173,078</b>             | <b>(47,107)</b>               | <b>(136,875)</b>            | <b>310,125</b>                   | <b>-</b>                        | <b>737</b>                     | <b>(1,738)</b>             | <b>3,211</b>                               | <b>(21,618)</b>                         | <b>-</b>                             | <b>880,338</b>                 | <b>1,167,851</b>   | <b>122,906</b>                     | <b>1,290,757</b>    |

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE SIX MONTHS ENDED 30 JUNE 2021 (CONTINUED)**

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



# 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<br>(Unaudited)<br><i>HK\$'000</i> | 2020<br>(Unaudited)<br><i>HK\$'000</i> |
| 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                                 |
|                          | <u>776,605</u>                         | <u>638,820</u>                         |

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<br>(Unaudited)<br><i>HK\$'000</i> | 2020<br>(Unaudited)<br><i>HK\$'000</i> |
| 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     | <u>61,665</u>                          | <u>43,784</u>                          |

#### 4. Finance costs

|                                                                                                                     | Six months ended 30 June        |                                 |
|---------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
|                                                                                                                     | 2021<br>(Unaudited)<br>HK\$'000 | 2020<br>(Unaudited)<br>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                           |
|                                                                                                                     | <u>4,461</u>                    | <u>7,366</u>                    |

#### 5. Profit before income tax

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

|                                                                    | Six months ended 30 June        |                                 |
|--------------------------------------------------------------------|---------------------------------|---------------------------------|
|                                                                    | 2021<br>(Unaudited)<br>HK\$'000 | 2020<br>(Unaudited)<br>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)                         |
|                                                                    | <u>(2,489)</u>                  | <u>(2,222)</u>                  |

## 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<br>(Unaudited)<br>HK\$'000 | 2020<br>(Unaudited)<br>HK\$'000 |
| <b>The charge comprises:</b>           |                                 |                                 |
| 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                           |
|                                        | <u>14,171</u>                   | <u>10,761</u>                   |

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<br>(Unaudited)<br>HK\$'000 | 2020<br>(Unaudited)<br>HK\$'000 |
| Earnings for the purposes of basic earnings per share for the period                                   | <u>41,297</u>                   | <u>29,311</u>                   |
|                                                                                                        |                                 |                                 |
|                                                                                                        | Number of shares ('000)         |                                 |
|                                                                                                        | 2021                            | 2020                            |
| Weighted average number of ordinary shares for the purpose of basic earnings per share ( <i>Note</i> ) | 740,417                         | 769,997                         |
| Effect of dilutive potential ordinary shares on share:                                                 |                                 |                                 |
| - Share awards                                                                                         | 5,097                           | -                               |
|                                                                                                        | <u>745,514</u>                  | <u>769,997</u>                  |

*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<br>buildings<br><i>HK\$'000</i> | Furniture<br>and<br>fixtures<br><i>HK\$'000</i> | Office<br>equipment<br><i>HK\$'000</i> | Leasehold<br>improve-<br>ments<br><i>HK\$'000</i> | Computer<br>equipment<br>and<br>systems<br><i>HK\$'000</i> | Motor<br>vehicles<br><i>HK\$'000</i> | Machinery<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|------------------------------|------------------------------------------|-------------------------------------------------|----------------------------------------|---------------------------------------------------|------------------------------------------------------------|--------------------------------------|------------------------------|--------------------------|
| At 1 January 2021            |                                          |                                                 |                                        |                                                   |                                                            |                                      |                              |                          |
| Cost                         | 21,710                                   | 5,419                                           | 9,912                                  | 66,776                                            | 16,470                                                     | 5,215                                | 458,973                      | 584,475                  |
| Accumulated<br>depreciation  | (7,508)                                  | (5,012)                                         | (7,178)                                | (59,548)                                          | (15,507)                                                   | (3,001)                              | (276,959)                    | (374,713)                |
| Net book amount              | <u>14,202</u>                            | <u>407</u>                                      | <u>2,734</u>                           | <u>7,228</u>                                      | <u>963</u>                                                 | <u>2,214</u>                         | <u>182,014</u>               | <u>209,762</u>           |
| Period ended 30 June<br>2021 |                                          |                                                 |                                        |                                                   |                                                            |                                      |                              |                          |
| Opening net book<br>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<br>amount   | <u>20,013</u>                            | <u>510</u>                                      | <u>2,861</u>                           | <u>10,508</u>                                     | <u>994</u>                                                 | <u>2,188</u>                         | <u>184,849</u>               | <u>221,923</u>           |
| At 30 June 2021              |                                          |                                                 |                                        |                                                   |                                                            |                                      |                              |                          |
| Cost                         | 27,876                                   | 5,486                                           | 10,371                                 | 70,478                                            | 17,927                                                     | 6,916                                | 476,360                      | 615,414                  |
| Accumulated<br>depreciation  | (7,863)                                  | (4,976)                                         | (7,510)                                | (59,970)                                          | (16,933)                                                   | (4,728)                              | (291,511)                    | (393,491)                |
| Net book amount              | <u>20,013</u>                            | <u>510</u>                                      | <u>2,861</u>                           | <u>10,508</u>                                     | <u>994</u>                                                 | <u>2,188</u>                         | <u>184,849</u>               | <u>221,923</u>           |

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<br>land<br><i>HK\$'000</i> | Leased<br>properties<br><i>HK\$'000</i> | Plant and<br>equipment<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|-------------------|--------------------------------------|-----------------------------------------|-------------------------------------------|--------------------------|
| At 1 January 2021 | <u>5,781</u>                         | <u>88,939</u>                           | <u>1,846</u>                              | <u>96,566</u>            |
| At 30 June 2021   | <u>8,221</u>                         | <u>73,362</u>                           | <u>1,224</u>                              | <u>82,807</u>            |

## 10. Interest in associate

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

## 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:

|                                | <b>At 30 June<br/>2021<br/>(Unaudited)<br/>HK\$'000</b> | At 31 December<br>2020<br>(Audited)<br>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        | <u>422,383</u>                                          | <u>405,220</u>                                  |
| Less: Provision for impairment | <u>(19,969)</u>                                         | <u>(18,584)</u>                                 |
| Net trade receivables          | 402,414                                                 | 386,636                                         |
| Other receivables and deposits | 53,168                                                  | 47,805                                          |
|                                | <u>455,582</u>                                          | <u>434,441</u>                                  |

## 12. Trade and other payables

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

|                                       | <b>At 30 June<br/>2021<br/>(Unaudited)<br/>HK\$'000</b> | <b>At 31 December<br/>2020<br/>(Audited)<br/>HK\$'000</b> |
|---------------------------------------|---------------------------------------------------------|-----------------------------------------------------------|
| 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                  | <u>109,552</u>                                          | <u>99,537</u>                                             |
| Other payables and accruals – current | <u>141,014</u>                                          | <u>132,356</u>                                            |
|                                       | <u><u>250,566</u></u>                                   | <u><u>231,893</u></u>                                     |

## 13. Bank borrowings

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

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

## 14. Share capital

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

## 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<br>(Unaudited)<br>HK\$'000 | 2020<br>(Unaudited)<br>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                          |
|                                                                                                                                                 | <u>37,021</u>                   | <u>50,531</u>                   |

- (b) Dividends attributable to the interim period

|                                                                             | Six months ended 30 June        |                                 |
|-----------------------------------------------------------------------------|---------------------------------|---------------------------------|
|                                                                             | 2021<br>(Unaudited)<br>HK\$'000 | 2020<br>(Unaudited)<br>HK\$'000 |
| Interim dividends declared – HK\$0.03 (2020: Nil) per share ( <i>Note</i> ) | 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<br>(Unaudited)<br>HK\$'000 | 2020<br>(Unaudited)<br>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<br>(Unaudited)<br>HK\$'000 | 2020<br>(Unaudited)<br>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 |          | At 31 December 2020 |          |
|-------------------------------------------------------------------|-----------------|----------|---------------------|----------|
|                                                                   | (unaudited)     |          | (audited)           |          |
|                                                                   | Level 1         | Level 2  | Level 1             | Level 2  |
|                                                                   | HK\$'000        | HK\$'000 | HK\$'000            | HK\$'000 |
| <b>Financial assets at fair value through profit or loss</b>      |                 |          |                     |          |
| Forward foreign exchange contracts                                | -               | -        | -                   | 45       |
| Net fair values                                                   | -               | -        | -                   | 45       |
| <b>Financial liabilities at fair value through profit or loss</b> |                 |          |                     |          |
| 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.

# 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### BUSINESS REVIEW (Continued)

*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.

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

### **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.

## 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<br>(Shares) | Family Interests<br>(Shares) | Corporate Interests<br>(Shares) | Total Interests<br>(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<br>(Shares) | Family Interests<br>(Shares) | Corporate Interests<br>(Shares) | Total Interests<br>(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<br>(Shares) | Family Interests<br>(Shares) | Corporate Interests<br>(Shares) | Total Interests<br>(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<br>(Shares) | Interest in controlled corporation<br>(Shares) | Total Interests<br>(Shares) |                                                           |
| ER2 Holdings Limited (Note 1)                | 8,297,391                    | 258,135,326                                    | 266,432,717                 | 34.60                                                     |
| City Apex Ltd. (Note 1)                      | 258,135,326                  | Nil                                            | 258,135,326                 | 33.52                                                     |
| Mr. Chang Mun Kee (Note 2)                   | 10,067,583                   | 54,112,030                                     | 64,179,613                  | 8.34                                                      |
| Mr. Webb David Michael (Note 3)              | 19,975,168                   | 41,665,808                                     | 61,640,976                  | 8.00                                                      |
| JcbNext Berhad (Note 2)                      | 54,112,030                   | Nil                                            | 54,112,030                  | 7.03                                                      |
| Preferable Situation Assets Limited (Note 3) | 41,665,808                   | Nil                                            | 41,665,808                  | 5.41                                                      |

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

Note 2: According to the record kept by the Company, Mr. Chang Mun Kee is interested in 45.49% of the shares in JcbNext Berhad. Therefore, Mr. Chang is deemed to be interested in the said shares held by Jcbnext Berhad.

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

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