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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)

**RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**AUDITED RESULTS**

The board of directors (the “Board”) of Lion Rock Group Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020 as follows:

**Consolidated Statement of Profit or Loss and Other Comprehensive Income  
For the year ended 31 December 2021**

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	3	1,737,616	1,373,471
Direct operating costs		<u>(1,290,531)</u>	<u>(1,035,510)</u>
<b>Gross profit</b>		447,085	337,961
Other income	5	46,559	96,406
Selling and distribution costs		(209,129)	(170,720)
Administrative expenses		(109,215)	(98,500)
Impairment loss of intangible assets		(18,481)	-
Reversal of / (provision for) impairment of trade and loan receivables, net		1,299	(12,521)
Share of profit of associate		27,536	8,733
Finance costs	6	<u>(8,524)</u>	<u>(11,952)</u>
<b>Profit before income tax</b>	7	177,130	149,407
Income tax expense	8	<u>(35,105)</u>	<u>(33,102)</u>
<b>Profit for the year</b>		<u>142,025</u>	<u>116,305</u>

\* For identification purpose only

**Consolidated Statement of Profit or Loss and Other Comprehensive Income  
For the year ended 31 December 2021 (Continued)**

	Notes	2021 HK\$'000	2020 HK\$'000
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange (loss)/gain on translation of financial statements of foreign operations		(16,027)	44,764
Share of other comprehensive income of an associate		<u>(1,108)</u>	<u>2,241</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>(17,135)</u>	<u>47,005</u>
<b>Total comprehensive income for the year</b>		<u><u>124,890</u></u>	<u><u>163,310</u></u>
<b>Profit for the year attributable to:</b>			
Owners of the Company		132,491	104,323
Non-controlling interests		<u>9,534</u>	<u>11,982</u>
		<u><u>142,025</u></u>	<u><u>116,305</u></u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		121,614	140,530
Non-controlling interests		<u>3,276</u>	<u>22,780</u>
		<u><u>124,890</u></u>	<u><u>163,310</u></u>
<b>Earnings per share for profit attributable to owners of the Company during the year</b>			
	10		
Basic		<u>HK17.89 cents</u>	<u>HK13.59 cents</u>
Diluted		<u>HK17.77 cents</u>	<u>HK13.58 cents</u>

**Consolidated Statement of Financial Position**  
**As at 31 December 2021**

	Notes	2021 HK\$'000	2020 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	214,359	209,762
Deposits for acquisition of property, plant and equipment		3,399	14,753
Right-of-use assets	12	71,518	96,566
Intangible assets	13	177,925	202,441
Interest in an associate	14	189,134	143,914
Loans to an associate	14	129,490	53,180
Lease receivables		1,698	-
Deferred tax assets		23,200	25,795
		<u>810,723</u>	<u>746,411</u>
<b>Current assets</b>			
Inventories	15	240,605	180,670
Trade and other receivables and deposits	16	539,200	434,441
Lease receivables		1,142	507
Financial assets at fair value through profit or loss	17	37	45
Tax recoverable		4,217	1,587
Pledged deposits		156	161
Cash and cash equivalents		431,920	502,291
		<u>1,217,277</u>	<u>1,119,702</u>
<b>Current liabilities</b>			
Trade and other payables	18	288,934	231,893
Bank borrowings	19	261,967	191,450
Lease liabilities	20	29,908	31,448
Provisions		25,508	21,985
Financial liabilities arising from put option		-	15,367
Provision for taxation		15,909	9,827
		<u>622,226</u>	<u>501,970</u>
<b>Net current assets</b>		<u>595,051</u>	<u>617,732</u>
<b>Total assets less current liabilities</b>		<u>1,405,774</u>	<u>1,364,143</u>
<b>Non-current liabilities</b>			
Other payables	18	-	3,019
Provisions		1,504	4,398
Lease liabilities	20	43,821	67,436
Deferred tax liabilities		12,910	12,574
		<u>58,235</u>	<u>87,427</u>
<b>Net assets</b>		<u>1,347,539</u>	<u>1,276,716</u>
<b>EQUITY</b>			
Share capital		7,700	7,700
Reserves		1,223,463	1,140,802
<b>Equity attributable to owners of the Company</b>		<u>1,231,163</u>	<u>1,148,502</u>
<b>Non-controlling interests</b>		<u>116,376</u>	<u>128,214</u>
<b>Total equity</b>		<u>1,347,539</u>	<u>1,276,716</u>

## Consolidated Statement of Changes in Equity For the year ended 31 December 2021

	Attributable to owners of the Company													Non-controlling interests	Total equity
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Merger reserve HK\$'000	Contributed surplus HK\$'000	Put option reserve HK\$'000	Statutory reserve HK\$'000	Other reserve HK\$'000	Employee compensation reserve HK\$'000	Share award scheme reserve HK\$'000	Proposed final dividend HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
Balance as at 1 January 2021	7,700	173,078	(44,174)	(136,875)	310,125	(13,906)	737	(1,738)	788	(21,618)	38,500	835,885	1,148,502	128,214	1,276,716
2020 final dividend paid (Note 9)	-	-	-	-	-	-	-	-	-	-	(38,500)	-	(38,500)	-	(38,500)
2021 interim dividend paid (Note 9)	-	-	-	-	-	-	-	-	-	-	-	(23,100)	(23,100)	-	(23,100)
Dividend in relation to share award	-	-	-	-	-	-	-	-	-	-	-	2,367	2,367	-	2,367
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(15,114)	(15,114)
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	-	-	-	4,816	-	-	-	4,816	-	4,816
Lapsed equity-settled share-based payment	-	-	-	-	-	-	-	-	(248)	-	-	248	-	-	-
Transfer to retained earnings	-	-	-	-	-	(1,558)	-	-	-	-	-	1,558	-	-	-
Lapsed put option granted to non-controlling shareholder of a subsidiary	-	-	-	-	-	15,464	-	-	-	-	-	-	15,464	-	15,464
Transactions with owners	-	-	-	-	-	13,906	-	-	4,568	-	(38,500)	(18,927)	(38,953)	(15,114)	(54,067)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	132,491	132,491	9,534	142,025
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Currency translation	-	-	(9,769)	-	-	-	-	-	-	-	-	-	(9,769)	(6,258)	(16,027)
Share of other comprehensive income of an associate	-	-	(1,243)	-	-	-	-	-	-	-	-	135	(1,108)	-	(1,108)
Total comprehensive income for the year	-	-	(11,012)	-	-	-	-	-	-	-	-	132,626	121,614	3,276	124,890
2021 proposed final dividend (Note 9)	-	-	-	-	-	-	-	-	-	-	46,200	(46,200)	-	-	-
Balance at 31 December 2021	7,700	173,078	(55,186)	(136,875)	310,125	-	737	(1,738)	5,356	(21,618)	46,200	903,384	1,231,163	116,376	1,347,539

**Consolidated Statement of Changes in Equity**  
**For the year ended 31 December 2021 (Continued)**

	Attributable to owners of the Company												Non-controlling interests	Total equity	
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Merger reserve HK\$'000	Contributed surplus HK\$'000	Put option reserve HK\$'000	Statutory reserve HK\$'000	Other reserve HK\$'000	Employee compensation reserve HK\$'000	Share award scheme reserve HK\$'000	Proposed final dividend HK\$'000	Retained earnings HK\$'000			Total HK\$'000
Balance as at 1 January 2020	7,700	173,078	(80,595)	(136,875)	310,125	(13,906)	737	422	-	(5)	30,800	790,007	1,081,488	95,442	1,176,930
2019 final dividend paid (Note 9)	-	-	-	-	-	-	-	-	-	-	(30,800)	-	(30,800)	-	(30,800)
Distribution in species	-	-	-	-	-	-	-	(2,983)	-	-	-	(19,731)	(22,714)	22,714	-
Changes in shareholding in a subsidiary	-	-	-	-	-	-	-	823	-	-	-	-	823	(4,115)	(3,292)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	2,012	2,012
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,619)	(10,619)
Purchase of shares under share award scheme	-	-	-	-	-	-	-	-	-	(21,613)	-	-	(21,613)	-	(21,613)
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	-	-	-	788	-	-	-	788	-	788
<b>Transactions with owners</b>	-	-	-	-	-	-	(2,160)	-	788	(21,613)	(30,800)	(19,731)	(73,516)	9,992	(63,524)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	104,323	104,323	11,982	116,305
<b>Other comprehensive income</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Currency translation	-	-	33,966	-	-	-	-	-	-	-	-	-	33,966	10,798	44,764
Share of other comprehensive income of an associate	-	-	2,455	-	-	-	-	-	-	-	-	(214)	2,241	-	2,241
<b>Total comprehensive income for the year</b>	-	-	36,421	-	-	-	-	-	-	-	-	104,109	140,530	22,780	163,310
2020 proposed final dividend (Note 9)	-	-	-	-	-	-	-	-	-	-	38,500	(38,500)	-	-	-
<b>Balance at 31 December 2020</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>

## 1. General information

Lion Rock Group Limited (the “Company”) was incorporated in Bermuda under the Bermuda Companies Act as an exempted limited liability company. The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is Level 11 East Wing, NEO, 123 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “SEHK”) in 2011. The Company and its subsidiaries are collectively referred to as the “Group” hereafter.

The financial statements have been prepared in accordance with 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 issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK.

## 2. Adoption of Hong Kong Financial Reporting Standards

### 2.1 Adoption of new or amended HKFRSs

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

- Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16

These new or amended HKFRSs did not have any significant impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period. Impact on the applications of these amended HKFRSs are summarised below.

#### Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform - Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “Reform”). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

## 2. Adoption of Hong Kong Financial Reporting Standards (Continued)

### 2.2 New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

2021 Amendments to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021 <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>4</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>4</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>4</sup>
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction <sup>4</sup>
Amendments to HKAS 16	Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>6</sup>
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards, HKFRS 9 Financial Instruments and HKFRS 16 Leases <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>5</sup> The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

<sup>6</sup> No mandatory effective date yet determined but available for adoption.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

## 3. Revenue

Revenue represents the printing income earned by the Group during the year.

Revenue from single customer included the sales to entities which are, to the best knowledge of the Group, under common control with these customers. Revenue from customers of the year contributing over 10% of the Group's total revenue for the year ended 31 December 2021 is as follows:

	2021 HK\$'000	2020 HK\$'000
The Quarto Group, Inc. (the "Associate")	<u>185,199</u>	<u>102,509</u>

#### 4. Segment information

The executive directors have identified that the Group has only one reportable and operating segment, which is the provision of printing services.

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas.

	Revenue from external customers		Non-current assets (excluding deferred tax assets, lease receivables, interest in an associate and loan to an associate)	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
PRC	-	-	147,181	155,060
United States of America ("USA")	856,632	558,791	493	314
Australia	523,742	491,568	149,766	173,818
United Kingdom	248,626	193,598	2	3
Spain	46,149	43,897	-	-
New Zealand	15,380	11,422	-	-
Germany	14,853	17,419	-	-
Canada	14,060	6,876	-	-
Singapore	8,266	8,646	25,088	35,428
Chile	6,161	5,023	-	-
Mexico	306	19,120	-	-
Malaysia	104	397	66,319	58,375
Ireland	-	3,242	-	-
Peru	-	1,587	-	-
Guatemala	-	491	-	-
Hong Kong (domicile)	65	370	96,833	100,524
Others	3,272	11,024	-	-
	<u>1,737,616</u>	<u>1,373,471</u>	<u>485,682</u>	<u>523,522</u>

Sales by geographical markets are analysed based on the location of customers and the geographical location of non-current assets is based on (1) the physical location of the assets (for property, plant and equipment and right-of-use assets) and (2) location of operations (for intangible assets). Hong Kong is considered as the Group's country of domicile for the purpose of the disclosures of geographical analysis of revenue and non-current assets as required by HKFRS 8 "Operating Segment" as the Group has majority of its operation and workforce in Hong Kong.



#### 4. Segment information (Continued)

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

	2021 HK\$'000	2020 HK\$'000
Reportable segment profit	158,118	152,626
Share of profit of associate	27,536	8,733
Finance costs	<u>(8,524)</u>	<u>(11,952)</u>
Profit before income tax	<u>177,130</u>	<u>149,407</u>
Reportable segment liabilities	405,584	385,373
Deferred tax liabilities	12,910	12,574
Bank borrowings	<u>261,967</u>	<u>191,450</u>
Group liabilities	<u>680,461</u>	<u>589,397</u>

#### 5. Other income

	2021 HK\$'000	2020 HK\$'000
Sales of scrapped paper and by-products	24,450	16,968
Bad debt recovered	3	-
Impairment of trade receivables recovered	180	450
Interest income	5,314	3,749
Interest income on lease receivables	74	41
Gain on financial assets at fair value through profit or loss	4,231	-
Gain on deregistration of a subsidiary	28	-
Gain on disposals of property, plant and equipment	200	2,899
Government subsidies	3,972	53,330
COVID-19 related rent concessions	-	951
Net foreign exchange gain	4,586	13,531
Sundry income	<u>3,521</u>	<u>4,487</u>
	<u>46,559</u>	<u>96,406</u>

## 6. Finance costs

	2021 HK\$'000	2020 HK\$'000
Interest charges on bank borrowings, which contain repayment on demand clause	4,696	7,258
Interest on lease liabilities	3,731	4,304
Imputed interest on financial liabilities arising from put option	97	390
	<u>8,524</u>	<u>11,952</u>

## 7. Profit before income tax

	2021 HK\$'000	2020 HK\$'000
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration (Note (i) below)	2,253	2,476
(Reversal of)/provision for impairment on trade receivables	(2,899)	12,521
Bad debts (recovered)/ written off	(3)	1
Cost of inventories recognised as direct operating costs	1,290,531	1,035,510
Provision for inventories made, net, included in cost of inventories recognised as direct operating costs	2,926	4,931
Depreciation of owned property, plant and equipment (Note (ii) below)	41,797	40,841
Depreciation of right-of-use assets	31,001	29,307
Amortisation of intangible assets	-	809
Short-term leases expenses	2,743	2,021
COVID-19 related rent concessions	-	(951)
Net foreign exchange gain	(4,586)	(13,531)
(Gain)/loss on financial assets/liabilities at fair value through profit or loss	(4,231)	56
Gain on deregistration of a subsidiary	28	-
Employee benefit expense, including directors' emoluments (Note (iii) below)	<u>355,977</u>	<u>303,903</u>

## 7. Profit before income tax (Continued)

Notes:

(i) Auditor's remuneration for other non-audit services of HK\$205,000 was recognised during the year (2020: HK\$205,000).

(ii) Depreciation of property, plant and equipment of HK\$37,553,000 (2020: HK\$37,291,000) and HK\$4,244,000 (2020: HK\$3,550,000) have been included in cost of inventories recognised as direct operating costs and administrative expenses respectively.

Depreciation of right-of-use assets of HK\$20,095,000 (2020: HK\$18,936,000) and HK\$10,906,000 (2020: HK\$10,370,625) have been included in cost of inventories recognised as direct operating costs and administrative expenses respectively.

(iii) Employee benefit expense of HK\$229,763,000 (2020: HK\$194,976,000), HK\$60,695,000 (2020: HK\$59,463,000) and HK\$65,519,000 (2020: HK\$49,464,000) have been included in cost of inventories recognised as direct operating costs, selling and distribution costs and administrative expenses respectively.

## 8. Income tax expense

For years ended 31 December 2021 and 2020, under the two-tiered profits tax rate regime, Hong Kong Profits Tax of the qualifying group entity incorporated in Hong Kong is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million. Profits of group entities incorporated in Hong Kong not qualified for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

The Group's subsidiaries in Australia are subject to domestic tax rate of 30% (2020: 30%) on the estimated assessable profits.

Taxation on other overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2021 HK\$'000	2020 HK\$'000
Current tax - Hong Kong profits tax		
Tax for the year	27,399	16,973
(Over)/Under provision in prior years	(1,879)	734
	<u>25,520</u>	<u>17,707</u>
Current tax - Australia		
Tax for the year	6,334	10,902
Overprovision in prior years	-	(48)
	<u>6,334</u>	<u>10,854</u>
Current tax - other overseas countries		
Tax for the year	474	19
Underprovision in prior years	140	142
	<u>614</u>	<u>161</u>
Deferred tax		
Charged during the year	2,637	4,380
	<u>35,105</u>	<u>33,102</u>

## 9. Dividends and distribution

	2021 HK\$'000	2020 HK\$'000
Final dividend paid in respect of prior year of HK\$0.05 (2020: HK\$0.04) per share	38,500	30,800
Interim dividend paid in respect of current year of HK\$0.03 (2020: nil) per share	23,100	-
Dividend in respect of shares held under share award scheme	(2,367)	-
Distribution in specie	-	19,731
	<u>59,233</u>	<u>50,531</u>

At a meeting held on 23 March 2022, the directors recommended a final dividend of HK\$0.06 per ordinary share, amounting to approximately HK\$46,200,000 in aggregate based on the total number of ordinary shares in issue at that date. This proposed final dividend is not reflected as a dividend payable in these financial statements, but reflected as an appropriation of retained earnings for the year ended 31 December 2021.

## 10. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK\$132,491,000 (2020: HK\$104,323,000) and on the weighted average number of ordinary shares in issue less shares held under share award scheme that have not been vested unconditionally to the employees during the year of 740,417,090 (2020: 767,599,494).

For the year ended 31 December 2021, the calculation of diluted earnings per share is based on the profit attributable to owners of the Company of approximately HK\$132,491,000 and on the following data:

	2021 Number of shares	2020 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	740,417,090	767,599,494
Effect of dilutive potential ordinary shares:		
- Share awards	5,063,805	855,213
	<u>745,480,895</u>	<u>768,454,707</u>

## 11. Property, plant and equipment

	Land and buildings HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Leasehold improvements HK\$'000	Computer equipment and systems HK\$'000	Motor vehicles HK\$'000	Machinery HK\$'000	Total HK\$'000
Year ended 31 December 2020								
Opening net book amount	5,196	96	3,133	9,561	1,032	2,560	177,013	198,591
Exchange differences	448	4	90	441	39	85	10,750	11,857
Acquired through business combinations	9,562	379	-	193	12	-	10,440	20,586
Additions	-	48	202	34	600	356	18,476	19,716
Disposals	-	-	-	-	-	(4)	(143)	(147)
Depreciation	(1,004)	(120)	(691)	(3,001)	(720)	(783)	(34,522)	(40,841)
Closing net book amount	14,202	407	2,734	7,228	963	2,214	182,014	209,762
At 31 December 2020								
Cost	21,710	5,419	9,912	66,776	16,470	5,215	458,973	584,475
Accumulated depreciation	(7,508)	(5,012)	(7,178)	(59,548)	(15,507)	(3,001)	(276,959)	(374,713)
Net book amount	14,202	407	2,734	7,228	963	2,214	182,014	209,762
Year ended 31 December 2021								
Opening net book amount	14,202	407	2,734	7,228	963	2,214	182,014	209,762
Exchange differences	(618)	(12)	1	106	(33)	(17)	392	(181)
Additions	6,535	206	783	6,186	433	918	32,321	47,382
Disposals	-	(7)	-	(15)	-	(320)	(465)	(807)
Depreciation	(1,173)	(145)	(771)	(3,171)	(560)	(751)	(35,226)	(41,797)
Closing net book amount	18,946	449	2,747	10,334	803	2,044	179,036	214,359
At 31 December 2021								
Cost	27,026	5,495	10,502	71,737	17,430	6,759	480,422	619,371
Accumulated depreciation	(8,080)	(5,046)	(7,755)	(61,403)	(16,627)	(4,715)	(301,386)	(405,012)
Net book amount	18,946	449	2,747	10,334	803	2,044	179,036	214,359

As at 31 December 2021 and 2020, the Group's land and buildings represented (1) freehold land and buildings of HK\$3,874,000 (2020: HK\$4,861,000), which are situated in Australia; and (2) leasehold buildings of HK\$15,072,000 (2020: HK\$9,341,000), which are situated in Malaysia.

## 12. Right-of-use assets

	Leasehold land HK\$'000	Leased properties HK\$'000	Plant and equipment HK\$'000	Total HK\$'000
<b>At 1 January 2020</b>	-	83,255	2,721	85,976
Acquired through business combinations	5,907	-	-	5,907
Modification of sub-leases	-	2,775	-	2,775
Additions	-	25,327	238	25,565
Disposals	-	(223)	-	(223)
Depreciation	(143)	(27,788)	(1,376)	(29,307)
Exchange adjustments	17	5,593	263	5,873
<b>At 31 December 2020 and 1 January 2021</b>	5,781	88,939	1,846	96,566
Adjustments arising from sub-leases	-	(3,663)	-	(3,663)
Additions	2,562	7,894	3	10,459
Depreciation	(230)	(29,667)	(1,104)	(31,001)
Exchange adjustments	(143)	(641)	(59)	(843)
<b>At 31 December 2021</b>	7,970	62,862	686	71,518

### 13. Intangible assets

	Goodwill HK\$'000	Customer relationship HK\$'000	Total HK\$'000
At 31 December 2020			
Cost	203,735	9,700	213,435
Amortisation and impairment	(1,294)	(9,700)	(10,994)
Net carrying amount	<u>202,441</u>	<u>-</u>	<u>202,441</u>
Year ended 31 December 2021			
Opening net carrying amount	202,441	-	202,441
Impairment for the year	(18,481)	-	(18,481)
Exchange differences	(6,035)	-	(6,035)
Closing net carrying amount	<u>177,925</u>	<u>-</u>	<u>177,925</u>
At 31 December 2021			
Cost	197,700	9,700	207,400
Amortisation and impairment	(19,775)	(9,700)	(29,475)
Net carrying amount	<u>177,925</u>	<u>-</u>	<u>177,925</u>

### 14. Interest in an associate/loans to an associate

	2021 HK\$'000	2020 HK\$'000
<b>Interest in an associate (non-current assets):</b>		
Share of net assets other than goodwill	108,682	69,065
Goodwill	80,452	74,849
	<u>189,134</u>	<u>143,914</u>
<b>Loans to an associate:</b>		
Advances to an associate	132,090	54,180
Expected credit loss	(2,600)	(1,000)
	<u>129,490</u>	<u>53,180</u>
<b>Represented by:</b>		
Non-current assets	129,490	53,180
Current assets	-	-
	<u>129,490</u>	<u>53,180</u>

During the year, the Group further increased its shareholdings in the Associate with a total consideration of HK\$17,751,000 through the open market purchases of shares of the Associate, and acquisitions of shares from a director of the Company. As at 31 December 2021, the Group held 41.23% (2020: 36.67%) equity interests in the Associate and the fair value of this investment based on quoted market price of the shares is HK\$197,636,000 (2020: HK\$86,827,000).

## 15. Inventories

	2021 HK\$'000	2020 HK\$'000
Raw materials	176,240	148,280
Work-in-progress	66,086	41,582
Finished goods	10,728	6,267
Less: Provision for obsolescence	(12,449)	(15,459)
	<u>240,605</u>	<u>180,670</u>

## 16. Trade and other receivables and deposits

Ageing analysis of gross carrying amount of trade receivables as at 31 December 2021, based on the invoice date, is as follows:

	2021 HK\$'000	2020 HK\$'000
0 - 30 days	178,319	120,169
31 - 60 days	132,908	98,881
61 - 90 days	59,147	56,629
91 - 120 days	47,446	40,421
121 - 150 days	30,924	25,384
Over 150 days	60,911	63,736
Total trade receivables	<u>509,655</u>	<u>405,220</u>
Less: Provision for impairment of trade receivables	<u>(15,338)</u>	<u>(18,584)</u>
Trade receivables - net	494,317	386,636
Other receivables and deposits	<u>44,883</u>	<u>47,805</u>
	<u>539,200</u>	<u>434,441</u>

In general, the Group allows a credit period from 30 to 150 days (2020: 30 to 180 days) to its customers.

As at 31 December 2021, trade receivables of HK\$128,997,000 (2020: HK\$99,808,000) were due from an associate.

## 17. Financial assets at fair value through profit or loss

These relate to the forward foreign exchange contracts which are considered by management as part of economic hedging arrangements but have not been formally designated as hedges in accordance with HKFRS 9. These foreign exchange contracts were stated at fair value.

## 18. Trade and other payables

As at 31 December 2021, ageing analysis of trade payables based on invoice date is as follows:

	2021 HK\$'000	2020 HK\$'000
0 - 30 days	64,335	67,918
31 - 60 days	36,243	23,704
61 - 90 days	12,780	7,473
91 - 120 days	2,892	74
Over 120 days	870	368
	<hr/>	<hr/>
	117,120	99,537
Other payables (current liabilities)	171,814	132,356
Other payables (non-current liabilities)	-	3,019
	<hr/>	<hr/>
	288,934	234,912
	<hr/>	<hr/>

Credit terms granted by the suppliers are generally 0 to 90 days (2020: 0 to 90 days).

## 19. Bank borrowings

	2021 HK\$'000	2020 HK\$'000
Current portion		
- Bank loans due for repayment within one year	108,464	120,392
- Bank loans due for repayment after one year which contain a repayment on demand clause	153,503	71,058
	<hr/>	<hr/>
Total bank borrowings	261,967	191,450
	<hr/>	<hr/>

Assuming that the banks do not exercise the clause for repayment on demand and based on the repayment dates as scheduled in the loan agreements, the Group's bank borrowings are due for repayments, as at each of the reporting dates, as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	108,464	120,392
In the second year	101,989	38,766
In the third to fifth year	51,514	32,292
	<hr/>	<hr/>
Wholly repayable within five years	261,967	191,450
	<hr/>	<hr/>



## 20. Leases

### *The Group as a lessee*

	2021 HK\$'000	2020 HK\$'000
Balance as at 1 January	98,884	97,252
Additions	7,897	25,565
Termination	-	(223)
Interest expense	3,731	4,304
Lease payments	(36,129)	(34,940)
Exchange adjustments	(654)	6,926
Balance as at 31 December	<u>73,729</u>	<u>98,884</u>
Represented by:		
Current liabilities	29,908	31,448
Non-current liabilities	<u>43,821</u>	<u>67,436</u>
	<u>73,729</u>	<u>98,884</u>

## CHAIRMAN'S STATEMENT

In fiscal 2021, we delivered outstanding financial results in the most uncertain period in recent memory. The exceptional performance reflects the soundness of the Group's strategy to diversify beyond print manufacturing with an asset-light approach.

The COVID-19 pandemic continues to transform the global supply chain landscape. While many companies have designed their supply chains for cost efficiency, the intermittent supply chain disruptions are forcing them to pursue a new operating model of reliability and resiliency. This will require visibility of the entire supply chain and tight integration of planning, procurement, production and logistics functions.

The print and publishing industry is following this trend and shifting from a cost-based competition to supply chain based competition. The Group's long pursued geographic diversification strategy enables us to serve our customers with flexibility from different production bases in the region. And our balanced portfolio of print manufacturing, print services management and publishing provides us the visibility to anticipate potential disruptions in the book industry's supply chain.

The strengthening of the supply chain capability across our three business segments is a key priority of the Group and we believe it will serve as a key differentiator for us versus our competitors. We are confident that the Group is well placed to stand out in the challenging COVID-driven environment.

To our dedicated staff, your contribution has been pivotal to the Group's extraordinary results in 2021. I would like to thank each one of you for going above and beyond to deliver this great performance. Thank you.

Yeung Ka Sing

*Chairman*

Hong Kong, 23 March 2022

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

2021 was the year that the world turned to books. The global book market experienced record sales as people rediscovered a love of reading during the COVID-19 pandemic. The US book market, the largest in the world, recorded a 9% year-on-year growth in terms of printed book units sold according to NPD BookScan. This showed the remarkable resilience of the book industry and proved that it is a business for the ages.

It was also the year that showed the benefits of Lion Rock's long pursued strategy of diversification. Our vertically integrated operation model provides us a holistic view of the entire supply chain of the book industry. This has enabled us to anticipate supply and demand and to work around potential disruption at critical points – from paper supply, print capacity, shipping capacity to last mile fulfillment for book retailers. And the combined scale of our businesses has helped us overcome one of the worst freight capacity shortages in decades.

The three business segments of the Group - Print Manufacturing, Print Services Management and Publishing, all performed very strongly. The revenue of the Group increased by 27% to \$1,737.6 million (2020: \$1,373.5 million). Profit after tax increased by 22% to reach \$142.0 million (2020: \$116.3 million).

#### **A. PRINT MANUFACTURING**

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

Sales turnover increased by 32% year-on-year and reached a record high. The extraordinary sales performance was underpinned by strong demand from our US and UK based customers and increased unit prices. Despite the inflating paper and labour costs, we were one of the few China based printers to delay price increase and honoured the commercial terms of ongoing contracts.

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

Sales turnover at Left Field Printing increased by 17% year-on-year driven by a robust book market in Australia. The result was partly dampened by COVID restrictions mandated by the Australian government in mid-2021, which led to temporary operation and supply chain disruptions.

##### *COS/Papercraft, Singapore & Malaysia manufacturing:*

Sales turnover at COS/Papercraft declined by 3% as we shifted more inter-company sales back to 1010 Printing to facilitate the consolidation of Papercraft and COS. Infrastructure upgrade work is ongoing at COS to migrate our production facilities from Singapore to Malaysia. We expect COS/Papercraft will continue to incur loss as we go through this transition in 2022.

## **B. PRINT SERVICES MANAGEMENT**

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

Sales turnover increased by 24% year-on-year due to strong performance in US, Europe and Australia. Latin American market continues to be a weak spot for APOL due to volatile local currencies and declined educational sales.

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

Regent's sales turnover increased by 16% in 2021 with the strong performance of the North American market. The Regent team managed to sign up a number of new customers and the recovery of the US retail and education sectors has helped mitigate some of accounts receivable risks from previous years.

## **C. PUBLISHING**

### *The Quarto Group*

The team at Quarto delivered a business performance that was considerably ahead of expectations. Revenue reached US\$151.5 million (2020: US\$126.9 million), driven by strong sales of their backlist titles. The re-building of shared services including IT, procurement and logistics has vastly improved Quarto's operations performance and provided a firm foundation for next phase of growth.

## **STRATEGIC OUTLOOK**

We predicted a downward trend for China's print manufacturing sector years ago as the competitiveness of China based printers is being chipped away by inflating costs. However, our prediction has been proven either wrong or premature by this year's excellent results.

Our previous prediction was based on the declining cost advantage of Chinese printers over their Eastern European competitors. On the Chinese labour cost front, we expect wages to rise in the long term as the demographic dividend that drove China's economic growth gradually disappears. Material costs for chemicals, paper and zinc plates will also trend upward as China continues its' economic growth path.

The cost of shipping from China has remained at astronomical level. The constant shipping disruptions and delays have caused companies to over stock on products, which further limits shipping capacity. We do not expect the cost to come down to pre-COVID levels as the three shipping alliances, which collectively account for 80% of the shipping market, are now grasping the opportunity to make up for the unprofitable years.

However, the emergence of the COVID-19 pandemic has altered the competitive dynamics of the print industry. For one, the demand of print books has soared as book buyers seek comfort and entertainment in fiction and non-fiction books. The global print capacity could barely meet this surge of demand and the supply and demand imbalance has shifted the industry from a cost-based competition to a supply chain competition.

On the supply side, we believe the print capacity for illustrated books in Europe will remain limited for several reasons. First, businesses in Europe are confronting unprecedented and widespread shortages of workers. The unemployment rate in the region has dropped to record low and will keep driving their labour costs up. The inflationary pressures will keep the competitiveness of European printers in check.

Second, there is a lack of print capacity in Europe due to years of under investment of printing plants. Even though more investments have been made recently, it would take years to ramp up the actual capacity.

Third, we expect paper supply in Europe to be limited. The decommissioning of paper mills in the region has created a supply bottleneck for uncoated wood-free paper. European environmental policies introduced recently will further limit the supply.

With European printers facing their own host of problems and part of the US print manufacturing sector already hollowed out, China based printers have so far proved to be competitive on the strength of a resilient and reliable supply chain. How the above market forces play out in the long run is anybody's guess.

## **PROSPECT**

We expect the demand for print books to be subdued in first half of the year. The major retailers have overstocked on print books to mitigate potential supply issues during the 2021 holiday season. As a result, publishers will order less in the first quarter as they brace for a higher volume of book return from retailers.

Shipping costs will likely remain at high levels in the next 12 months as countries struggle to deal with shortage of labour. The cost of shipping a 40-foot container load of books from China to the US west coast in general market has increased from \$5,000 in 2020 to \$18,000 in 2021. This translates to an extra cost of approximately US\$0.7 per copy, which narrows our cost advantage versus the European competitors. To counter that, we will build up our production capability in non-commoditized items such as children's books and sound-chip books.

As the market shifts from a cost-based competition to a supply chain competition, the focus of the Group is to enhance our supply chain capability. We will continue to build up our Papercraft operation in Malaysia as part of our geographic diversification strategy. We are in the process of strengthening our network of regional suppliers to build resiliency. And we will enhance our logistics reliability by utilizing data analytics to identify areas for improvement.

Our three business segments are performing extraordinarily in the challenging COVID-driven environment. I would like to thank every employee for their dedication and strong performance in 2021.

## FINANCIAL REVIEW

Revenue for the year ended 31 December 2021 was approximately HK\$1,737.6 million and represented an increase of 27% from previous corresponding year (2020: HK\$1,373.5 million). The increase was driven by the strong demand from our US, Europe and Australia based customers.

Gross profit margin increased from 24.6% to 25.7%. Despite the upsurge of material and labour costs during the year, the effect was prevailed over by the lower fixed production cost rate against sales.

Other income decreased by approximately HK\$49.8 million to HK\$46.6 million (2020: HK\$96.4 million). The decrease was primarily due to the decrease in government subsidies of approximately HK\$49.4 million; decrease in foreign exchange gain of approximately HK\$8.9 million and decrease in gain on disposals of property, plant and equipment of approximately HK\$2.7 million. The decrease in other income was partially offset by the increase in gain on fair value of forward contracts of approximately HK\$4.2 million and the increase sales of scrapped materials as a result of increased productions in 2021.

Selling and distribution expenses increased from approximately HK\$170.7 million in 2020 to approximately HK\$209.1 million in 2021 as a result of the increase in sales. Selling and distribution expenses against sales decreased from 12.4% in 2020 to 12.0% in 2021. The effect of lower staff costs ratio outweighed the increase in freight charges during the year.

Administrative expenses increased from approximately HK\$98.5 million to approximately HK\$109.2 million. Staff costs under administrative expenses increased by approximately HK\$16.1 million, of which included the equity settled share-based payment expenses of approximately HK\$4.8 million arising from the share award scheme granted in late 2020. The increase in staff cost was partially offset by the decrease in legal and professional costs owing to less corporate projects held during the year.

Impairment loss of intangible assets of approximately HK\$18.5 million was recognised during the year representing the loss on the goodwill arising from the acquisition of Papercraft in 2020.

Impairment of trade and loan receivables decreased from approximately HK\$12.5 million in 2020 to a reversal of approximately HK\$1.3 million in 2021 due to the expected decrease in credit risk following the gradual recovery of the economy and improved customer payment pattern.

Share of profit of associate represented share of result in The Quarto Group, Inc.. The profit share increased from approximately HK\$8.7 million to approximately HK\$27.5 million for the year ended 31 December 2021.

Finance costs decreased from approximately HK\$12.0 million in 2020 to approximately HK\$8.5 million in 2021. The decrease was due to the decreased interest expenses on bank borrowings upon gradual repayment of loan principal.

Income tax expenses for the year increased to approximately HK\$35.1 million for 2021 from approximately HK\$33.1 million in 2020, along with the increase in profit for the year.

Profit for the year attributable to owners of the Company amounted to approximately HK\$132.5 million (2020: HK\$104.3 million), an increase of 27.0% compared with last year.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2021, the Group had net current assets of approximately HK\$595.1 million (2020: HK\$617.7 million) of which the cash and cash equivalents were approximately HK\$431.9 million (2020: HK\$502.3 million). The Group's current ratio was approximately 2.0 (2020: 2.2).

Total bank borrowings and lease liabilities for the Group amounted to approximately HK\$335.7 million (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 31 December 2021 was 24.9% (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.

The Group adopts centralized financing and treasury policies in order to ensure the Group funding is utilized efficiently. The Group also regularly monitors its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

## **FOREIGN CURRENCY MANAGEMENT**

The Group's sales were denominated in a mixture of currencies, primarily US dollars, Australian dollars, Euros and Pound Sterling. In addition, the Group's costs and expenses are mainly denominated in US dollars, Australian dollars, Hong Kong dollars and Renminbi. From time to time the Group enters into foreign currency exchange contracts to hedge its currency risk.

## **CAPITAL EXPENDITURE**

During the year, the Group had acquired property, plant and equipment at approximately HK\$47.4 million. The purchase is mainly financed by internal resources. The carrying amount of right-of-use assets as at 31 December 2021 was approximately HK\$71.5 million.

## **PLEGGED DEPOSIT**

As at 31 December 2021, the Group had pledged deposit of approximately HK\$0.2 million (2020: HK\$0.2 million). The pledged deposit is pledged as a security for the banking guarantee facilities of a subsidiary.

## **CONTINGENT LIABILITIES**

As at 31 December 2021, the Group had no material contingent liabilities.



## **EMPLOYEES AND EMOLUMENT POLICY**

As at 31 December 2021, the Group had around 1,303 full-time employees (2020: 1,287). 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 employees benefits include provident fund, insurance and medical cover.

## **FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board has resolved to recommend the payment of a final dividend of HK\$0.06 (the "Final Dividend") for the year ended 31 December 2021 (2020: final dividend of HK\$0.05) to holders of ordinary shares whose names appear on the register of holders of ordinary shares of the Company as at the close of business on 22 June 2022.

The register of members will be closed on 22 June 2022 and no transfer of shares will be registered on such day. To qualify for the Final 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, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 21 June 2022. Subject to the passing of the relevant resolution of the forthcoming annual general meeting, the Final Dividend is expected to be paid and dispatched on 6 July 2022.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the year ended 31 December 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 Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") during the year.

## **AUDIT COMMITTEE**

The audit committee has three members comprising the three independent non-executive directors, namely, Mr. Yeung Ka Sing, Prof. Lee Hau Leung and Dr. Ng Lai Man, Carmen with terms of reference in compliance with the Listing Rules. The audit committee has reviewed the audited financial results of the Group for the year ended 31 December 2021.

On behalf of the Board  
Lau Chuk Kin  
*Executive Director*

Hong Kong, 23 March 2022

*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.*

*This final results announcement is published on the website of Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the Company's website at [www.lionrockgroup.hk](http://www.lionrockgroup.hk). The annual report 2021 of the Company will also be published on the aforesaid websites in due course.*