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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 2022**

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 2022 together with the comparative unaudited figures for the corresponding period in 2021 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

		(Unaudited)	
		Six months ended	
		30 June	
	Notes	2022	2021
		HK\$'000	HK\$'000
<b>Revenue</b>	3	<b>1,086,732</b>	776,605
Direct operating costs		<b>(724,591)</b>	(580,887)
<b>Gross profit</b>		<b>362,141</b>	195,718
Other income		<b>53,274</b>	20,696
Selling and distribution costs		<b>(154,072)</b>	(100,318)
Administrative expenses		<b>(74,655)</b>	(54,546)
Other expenses		<b>(1,085)</b>	(1,517)
Finance costs	4	<b>(5,062)</b>	(4,461)
Share of result of an associate		<b>6,503</b>	6,093
<b>Profit before income tax</b>	5	<b>187,044</b>	61,665
Income tax expense	6	<b>(29,898)</b>	(14,171)
<b>Profit for the period</b>		<b>157,146</b>	47,494

\* For identification purpose only

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)**

	<i>Notes</i>	<b>(Unaudited)</b>	
		<b>Six months ended</b>	
		<b>30 June</b>	
		<b>2022</b>	<b>2021</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>(33,082)</b>	(5,867)
Share of other comprehensive income of an associate		<b>(2,878)</b>	616
Release upon disposal of an associate		<b>5,929</b>	-
<b>Other comprehensive income for the period, net of tax</b>		<b>(30,031)</b>	(5,251)
<b>Total comprehensive income for the period</b>		<b>127,115</b>	42,243
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>140,326</b>	41,297
Non-controlling interests		<b>16,820</b>	6,197
		<b>157,146</b>	47,494
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>120,439</b>	38,483
Non-controlling interests		<b>6,676</b>	3,760
		<b>127,115</b>	42,243
<b>Earnings per share for profit attributable to owners of the Company during the period</b>			
	7		
- Basic		<b>HK 18.95 cents</b>	HK 5.58 cents
- Diluted		<b>HK 18.75 cents</b>	HK 5.54 cents

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2022**

		(Unaudited) At 30 June 2022 <i>HK\$'000</i>	(Audited) At 31 December 2021 <i>HK\$'000</i>
	<i>Notes</i>		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	202,235	214,359
Deposits for acquisition of property, plant and equipment		21,880	3,399
Right-of-use assets	9	107,201	71,518
Intangible assets	10	537,573	177,925
Interest in an associate	11	-	189,134
Loans to an associate		-	129,490
Loan receivables		33,579	-
Financial assets at fair value through profit and loss	22	12,598	-
Lease receivables		1,238	1,698
Deferred tax assets		44,481	23,200
		<u>960,785</u>	<u>810,723</u>
<b>Current assets</b>			
Inventories		443,360	240,605
Trade and other receivables and deposits	12	738,330	539,200
Lease receivable		1,153	1,142
Loan receivables		16,147	-
Financial assets at fair value through profit or loss	22	-	37
Tax recoverable		1,337	4,217
Pledged deposits		151	156
Cash and cash equivalents		580,157	431,920
		<u>1,780,635</u>	<u>1,217,277</u>
Assets classified as held for sale	13	<u>18,290</u>	-
		<u>1,798,925</u>	<u>1,217,277</u>
<b>Current liabilities</b>			
Trade and other payables	14	564,726	288,934
Bank and other borrowings	15	331,513	261,967
Lease liabilities		34,692	29,908
Provisions		35,376	25,508
Financial liabilities at fair value through profit or loss	22	1	-
Provision for taxation		75,405	15,909
		<u>1,041,713</u>	<u>622,226</u>
<b>Net current assets</b>		<u>757,212</u>	<u>595,051</u>
<b>Total assets less current liabilities</b>		<u>1,717,997</u>	<u>1,405,774</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2022 (CONTINUED)**

		(Unaudited) At 30 June 2022 <i>HK\$'000</i>	(Audited) At 31 December 2021 <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Bank and other borrowings	<i>15</i>	<b>20,116</b>	-
Provisions		<b>2,404</b>	1,504
Lease liabilities		<b>56,785</b>	43,821
Deferred tax liabilities		<b>34,606</b>	12,910
		<u><b>113,911</b></u>	<u>58,235</u>
<b>Net assets</b>		<u><b>1,604,086</b></u>	<u>1,347,539</u>
		<u><u><b>1,604,086</b></u></u>	<u><u>1,347,539</u></u>
<b>EQUITY</b>			
Share capital	<i>16</i>	<b>7,700</b>	7,700
Reserves		<b>1,342,688</b>	1,223,463
		<u><b>1,350,388</b></u>	<u>1,231,163</u>
<b>Equity attributable to owners of the Company</b>		<u><b>1,350,388</b></u>	<u>1,231,163</u>
<b>Non-controlling interests</b>		<b>253,698</b>	116,376
		<u><b>1,604,086</b></u>	<u>1,347,539</u>
<b>Total equity</b>		<u><u><b>1,604,086</b></u></u>	<u><u>1,347,539</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	<b>(Unaudited)</b>	
	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Operating activities		
Profit before income tax	<b>187,044</b>	61,665
Adjustments for:		
Depreciation of property, plant and equipment	<b>20,259</b>	21,732
Amortisation of right-of-use assets	<b>16,333</b>	16,199
Amortisation and impairment of intangible assets	<b>45,238</b>	-
Equity-settled share-based payment expenses	<b>2,304</b>	2,423
Impairment of receivables	<b>1,085</b>	1,517
Interest income	<b>(2,685)</b>	(2,489)
Interest expenses	<b>5,062</b>	4,461
Loss on financial asset at fair value through profit or loss	<b>683</b>	-
Gain on financial liabilities at fair value through profit or loss	<b>(1,033)</b>	(1,563)
Loss (Gain) on disposal of property, plant and equipment	<b>65</b>	(145)
Gain on termination of lease contract	<b>(366)</b>	-
Gain on disposal of an associate	<b>(31,285)</b>	-
Share of result of an associate	<b>(6,503)</b>	(6,093)
Operating profit before working capital changes	<b>236,201</b>	97,707
Increase in inventories	<b>(44,007)</b>	(39,228)
Decrease (Increase) in trade and other receivables and deposits	<b>203,689</b>	(24,202)
(Decrease) Increase in trade and other payables and provisions	<b>(137,626)</b>	15,183
(Increase) decrease in financial assets at fair value through profit or loss	<b>(13,728)</b>	1,769
Decrease in financial liabilities at fair value through profit or loss	<b>1,071</b>	-
Cash generated from operations	<b>245,600</b>	51,229
Income taxes paid	<b>(41,210)</b>	(11,242)
Net cash generated from operating activities	<b>204,390</b>	39,987
Investing activities		
Interest received	<b>2,108</b>	2,489
Purchases of property, plant and equipment	<b>(8,960)</b>	(33,537)
(Increase) Decrease in deposit for acquisition of property, plant and equipment	<b>(18,890)</b>	11,363
Proceeds from disposals of property, plant and equipment	<b>91</b>	641
Payment on right of use assets	<b>(17,361)</b>	(2,563)
Investment in pre-publication cost	<b>(40,607)</b>	-
Proceeds from lease receivables	<b>449</b>	649
Loan repayment from (Loan to) associate	<b>69,570</b>	(77,300)
Loan to a third party	<b>(56,700)</b>	-
Loan repayment from a third party	<b>4,021</b>	-
Purchase of additional interest in an associate	<b>(19,280)</b>	-
Cash inflow on acquisition of a subsidiary	<b>61,169</b>	-
Acquisition of additional interest in subsidiary	<b>(5,731)</b>	-
Payment on acquisition of business	<b>(47,175)</b>	-
Net cash used in investing activities	<b>(77,296)</b>	(98,258)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)**

	<b>(Unaudited)</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Financing activities		
Bank borrowings raised	<b>120,000</b>	140,000
Repayments of bank borrowings	<b>(73,705)</b>	(101,958)
Interest on bank borrowings paid	<b>(3,139)</b>	(2,354)
Repayments of principal portion of lease liabilities	<b>(19,221)</b>	(16,165)
Interest paid on lease liabilities	<b>(1,712)</b>	(2,010)
Dividends paid	<b>-</b>	(37,021)
Dividends paid to non-controlling interests	<b>(6,000)</b>	(9,068)
Net cash generated from (used in) financing activities	<b>16,223</b>	(28,576)
Net increase (decrease) in cash and cash equivalents	<b>143,317</b>	(86,847)
Effect of exchange rate fluctuations, net	<b>4,920</b>	(2,910)
Cash and cash equivalents at the beginning of the period	<b>431,920</b>	502,291
Cash and cash equivalents at the end of the period	<b>580,157</b>	412,534
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<b>575,083</b>	411,797
Cash at brokers	<b>5,074</b>	737
	<b>580,157</b>	412,534

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	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	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	HK\$ '000	HK\$ '000
<b>Balance at 1 January 2022</b>	<b>7,700</b>	<b>173,078</b>	<b>(55,186)</b>	<b>(136,875)</b>	<b>310,125</b>	<b>737</b>	<b>(1,738)</b>	<b>5,356</b>	<b>(21,618)</b>	<b>46,200</b>	<b>903,384</b>	<b>1,231,163</b>	<b>116,376</b>	<b>1,347,539</b>
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(6,000)	(6,000)
Acquisition of a subsidiary (note 19a)	-	-	-	-	-	-	-	-	-	-	-	-	138,859	138,859
Acquisition of additional interest in subsidiary	-	-	-	-	-	-	(3,518)	-	-	-	-	(3,518)	(2,213)	(5,731)
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	-	-	2,304	-	-	-	2,304	-	2,304
<b>Transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,518)</b>	<b>2,304</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,214)</b>	<b>130,646</b>	<b>129,432</b>
Profit for the period	-	-	-	-	-	-	-	-	-	-	140,326	140,326	16,820	157,146
<b>Other comprehensive income</b>														
Currency translation	-	-	(22,938)	-	-	-	-	-	-	-	-	(22,938)	(10,144)	(33,082)
Share of other comprehensive income of associate	-	-	(2,878)	-	-	-	-	-	-	-	-	(2,878)	-	(2,878)
Release upon disposal of an associate (note 11)	-	-	5,929	-	-	-	-	-	-	-	-	5,929	-	5,929
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(19,887)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140,326</b>	<b>120,439</b>	<b>6,676</b>	<b>127,115</b>
<b>Balance at 30 June 2022 (Unaudited)</b>	<b>7,700</b>	<b>173,078</b>	<b>(75,073)</b>	<b>(136,875)</b>	<b>310,125</b>	<b>737</b>	<b>(5,256)</b>	<b>7,660</b>	<b>(21,618)</b>	<b>46,200</b>	<b>1,043,710</b>	<b>1,350,388</b>	<b>253,698</b>	<b>1,604,086</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)**

	Attributable to owners of the Company												Non-	Total	
	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	controlling interests HK\$ '000	equity 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 18)	-	-	-	-	-	-	-	-	-	-	(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>

# 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 book publishing and 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 2022 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 2021 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 2022.

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 determined that the Group has two reportable operating segments as follows:

Printing – provision of printing services

Publishing – book publishing

Inter-segment transactions are on arm's length basis in a manner similar to transactions with third parties.

The following table present information of revenue and profit for the period on the basis of the Group's operating segments for the six months ended 30 June 2022:

#### Six months ended 30 June 2022

	<b>Printing</b> (Unaudited) <i>HK\$'000</i>	<b>Publishing</b> (Unaudited) <i>HK\$'000</i>	<b>Elimination</b> (Unaudited) <i>HK\$'000</i>	<b>Consolidated</b> (Unaudited) <i>HK\$'000</i>
<b>Revenue</b>				
- External	823,934	262,798	-	1,086,732
- Inter-segment	55,665	-	(55,665)	-
	<u>879,599</u>	<u>262,798</u>	<u>(55,665)</u>	<u>1,086,732</u>
<b>Segment profit</b>	<u>122,449</u>	<u>31,578</u>	<u>-</u>	154,027
Unallocated corporate income				33,885
Unallocated corporate expenses				(2,309)
Share of result of an associate				6,503
Finance costs	(3,816)	(1,855)	609	(5,062)
<b>Profit before income tax</b>				<u><u>187,044</u></u>

#### Six months ended 30 June 2021

	<b>Printing</b> (Unaudited) <i>HK\$'000</i>	<b>Publishing</b> (Unaudited) <i>HK\$'000</i>	<b>Elimination</b> (Unaudited) <i>HK\$'000</i>	<b>Consolidated</b> (Unaudited) <i>HK\$'000</i>
<b>Revenue</b>				
- External	776,605	-	-	776,605
<b>Segment profit</b>	<u>60,033</u>	<u>-</u>	<u>-</u>	60,033
Share of result of associate				6,093
Finance costs				(4,461)
<b>Profit before income tax</b>				<u><u>61,665</u></u>

### 3. Segment information (Continued)

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	
	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>
United States of America	589,427	348,396
Australia	263,275	241,857
United Kingdom	122,848	120,041
Spain	34,314	37,188
Canada	15,082	5,275
Germany	7,839	8,526
Chile	6,436	4,000
New Zealand	5,745	5,281
France	5,324	-
Hong Kong (domicile)	491	21
Others	35,951	6,020
	<u>1,086,732</u>	<u>776,605</u>

### 4. Finance costs

	Six months ended 30 June	
	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>
Interest charges on bank borrowings, wholly repayable within five years	3,139	2,354
Amortisation of borrowing costs	211	-
Interest on lease liabilities	1,712	2,010
Interest on put option liability	-	97
	<u>5,062</u>	<u>4,461</u>

## 5. Profit before income tax

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

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	20,259	21,732
Amortisation of right-of-use assets	16,333	16,199
Amortisation and impairment of intangible assets	45,238	-
Employee benefit expenses	223,977	167,015
Less: Staff cost capitalised	(20,877)	-
Net foreign exchange loss	1,780	833
Loss on financial assets at fair value through profit or loss	683	-
Loss (Gain) on disposals of property, plant and equipment	65	(145)
Gain on disposal of an associate (note 11)	31,285	-
Gain on financial liabilities at fair value through profit or loss	(1,033)	(1,563)
Interest income	(2,685)	(2,489)
	<u>          </u>	<u>          </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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
<b>The charge comprises:</b>		
Hong Kong profits tax		
- Current year	17,769	8,648
Overseas tax		
- Current year	16,691	3,480
- Underprovision in prior year	952	268
Deferred taxation (credit)/ charge	(5,514)	1,775
	<u>          </u>	<u>          </u>
	<u>29,898</u>	<u>14,171</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Earnings for the purposes of basic earnings per share for the period	140,326	41,297
	<hr/>	<hr/>
Number of shares ('000)		
	2022	2021
Weighted average number of ordinary shares for the purpose of basic earnings per share ( <i>Note</i> )	740,417	740,417
Effect of dilutive potential ordinary shares on share:		
- Share awards	8,007	5,097
	<hr/>	<hr/>
	748,424	745,514
	<hr/>	<hr/>

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

## 8. Property, plant and equipment

	Land and buildings <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Computer equipment and systems <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Machinery <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2022								
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	<u>18,946</u>	<u>449</u>	<u>2,747</u>	<u>10,334</u>	<u>803</u>	<u>2,044</u>	<u>179,036</u>	<u>214,359</u>
Period ended 30 June 2022								
Opening net book amount	18,946	449	2,747	10,334	803	2,044	179,036	214,359
Exchange differences	(497)	(8)	(71)	(400)	(33)	(31)	(6,851)	(7,891)
Acquisition of Subsidiary ( <i>note 19a</i> )	-	33	-	3,253	-	-	1,123	4,409
Acquisition of business ( <i>note 19b</i> )	-	-	8	-	364	-	2,441	2,813
Additions	1,283	10	236	520	652	-	6,259	8,960
Disposals	-	-	-	-	-	-	(156)	(156)
Depreciation	(575)	(93)	(388)	(2,283)	(286)	(345)	(16,289)	(20,259)
Closing net book amount	<u>19,157</u>	<u>391</u>	<u>2,532</u>	<u>11,424</u>	<u>1,500</u>	<u>1,668</u>	<u>165,563</u>	<u>202,235</u>
At 30 June 2022								
Cost	27,274	5,507	10,462	74,005	17,538	5,853	465,849	606,488
Accumulated depreciation	(8,117)	(5,116)	(7,930)	(62,581)	(16,038)	(4,185)	(300,286)	(404,253)
Net book amount	<u>19,157</u>	<u>391</u>	<u>2,532</u>	<u>11,424</u>	<u>1,500</u>	<u>1,668</u>	<u>165,563</u>	<u>202,235</u>

Land and buildings as at 30 June 2022 included freehold land and buildings of approximately HK\$4,584,000 (31 December 2021: HK\$3,874,000) situated in Australia and leasehold buildings in Malaysia of approximately HK\$14,573,000 (31 December 2021: HK\$15,072,000).

## 9. Right-of-use assets

	Leasehold land <i>HK\$'000</i>	Leased properties <i>HK\$'000</i>	Plant and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2022	7,970	62,862	686	71,518
At 30 June 2022	<u>7,743</u>	<u>80,090</u>	<u>19,368</u>	<u>107,201</u>

## 10. Intangible assets

	<b>Goodwill (Unaudited) HK\$'000</b>	<b>Other intangible assets (Unaudited) HK\$'000</b>	<b>Total (Unaudited) HK\$'000</b>
As at 1 January 2022	177,925	-	177,925
Acquisition of a subsidiary (note 19a)	137,387	224,636	362,023
Acquisition of business (note 19b)	15,884	-	15,884
Addition	-	40,607	40,607
Amortisation and impairment	-	(45,238)	(45,238)
Reclassified to asset held for sale (note 13)	-	(126)	(126)
Exchange differences	(5,462)	(8,040)	(13,502)
At 30 June 2022	<u><u>325,734</u></u>	<u><u>211,839</u></u>	<u><u>537,573</u></u>

Other intangible assets as at 30 June 2022 represented pre-publication costs of HK\$211,167,000 (2021: Nil), backlists and software costs of HK\$16,000 (2021: Nil) and customer contracts of HK\$656,000 (2021: Nil).

## 11. Interest in an associate/ Loans to an associate

	<b>At 30 June 2022 (Unaudited) HK\$'000</b>	<b>At 31 December 2021 (Audited) HK\$'000</b>
<b>Interest in an associate</b>		
Share of net assets other than goodwill	-	108,682
Goodwill	-	80,452
	<u>-</u>	<u>189,134</u>
	<u><u>-</u></u>	<u><u>189,134</u></u>
<b>Loans to an associate</b>		
Advances to an associate	-	132,090
Expected credit loss	-	(2,600)
	<u>-</u>	<u>129,490</u>
	<u><u>-</u></u>	<u><u>129,490</u></u>

Subsequent to 31 December 2021, during the period up to 26 January 2022, the Group further increased its shareholdings in The Quarto Group, Inc. ("Quarto") from 41.2% to 44.6% through open market purchases with total consideration of HK\$19,280,000.

## 11. Interest in an associate/ Loans to an associate (Continued)

On 1 April 2022, the Group acquired 4.6% of the issued share of Quarto from an independent third party, at a consideration of HK\$23,130,000 (the “Acquisition”). After the Acquisition, the Group became interested in 49.2% of the equity interest in Quarto. The Directors considered Quarto as a subsidiary of the Company as the Group gained control over Quarto thereafter.

The Acquisition resulted in the disposal of the interest in an associate. The Group re-measured the fair value of its previously held equity interest in Quarto as at the date of the disposal and recognised the related gain in profit and loss:

	<b>(Unaudited)</b> <b>HK\$'000</b>
Fair value of previously held equity interest	<b>248,942</b>
Less: carrying amount of previous equity interest	<b>(211,728)</b>
	<b>37,214</b>
Release of exchange reserve	<b>(5,929)</b>
Gain on disposal of an associate	<b>31,285</b>

## 12. Trade and other receivables and deposits

The Group generally allows a credit period from 30 to 150 days to its trade customers. Ageing analysis of trade receivables as at 30 June 2022, based on sales invoice date, is as follows:

	<b>At 30 June</b> <b>2022</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>At 31 December</b> <b>2021</b> <b>(Audited)</b> <b>HK\$'000</b>
0 - 30 days	<b>218,254</b>	178,319
31 - 60 days	<b>184,553</b>	132,908
61 - 90 days	<b>156,750</b>	59,147
91 - 120 days	<b>64,196</b>	47,446
121 - 150 days	<b>22,160</b>	30,924
Over 150 days	<b>35,880</b>	60,911
Total trade receivables	<b>681,793</b>	509,655
Less: Provision for impairment	<b>(38,645)</b>	(15,338)
Net trade receivables	<b>643,148</b>	494,317
Other receivables and deposits	<b>95,182</b>	44,883
	<b>738,330</b>	539,200

### 13. Assets classified as held for sale

As at 30 June 2022, Quarto had the intention to sell the toy imprint in order to focus on the core publishing business. The related assets are classified as held for sale.

The major classes of assets classified as held for sale are as follows:

	<b>At 30 June 2022 (Unaudited) HK\$'000</b>
Other intangible assets	126
Inventories	18,164
	<hr/>
Assets classified as held for sale	<b>18,290</b>
	<hr/> <hr/>

### 14. Trade and other payables

As at 30 June 2022, the ageing analysis of trade payables based on invoice date is as follows:

	<b>At 30 June 2022 (Unaudited) HK\$'000</b>	At 31 December 2021 (Audited) HK\$'000
0 - 30 days	125,741	64,335
31 - 60 days	56,818	36,243
61 - 90 days	24,563	12,780
91 - 120 days	9,283	2,892
Over 120 days	3,830	870
	<hr/>	<hr/>
Total trade payables	220,235	117,120
Other payables and accruals	344,491	171,814
	<hr/>	<hr/>
	<b>564,726</b>	<b>288,934</b>
	<hr/> <hr/>	<hr/> <hr/>

## 15. Bank and other borrowings

	<b>At 30 June 2022 (Unaudited) HK\$'000</b>	At 31 December 2021 (Audited) HK\$'000
Bank loans due for repayment within one year	<b>148,858</b>	108,464
Other loans due for repayment within one year	<b>1,141</b>	-
Bank loans due for repayment after one year which contain a repayment on demand clause	<b>181,514</b>	153,503
Bank and other borrowings – current portion	<b>331,513</b>	261,967
Bank loans due for repayment after one year – non current	<b>20,116</b>	-
Total bank and other borrowings	<b>351,629</b>	261,967

Bank borrowings of HK\$308,285,000 are supported by the corporate guarantees of the Company. Bank borrowings of HK\$42,203,000 are secured by the joint guarantee and the charge of assets over certain subsidiaries of the Company. Other loans of HK\$1,141,000 are unsecured and wholly guaranteed by the government of the US given under Coronavirus Aid, Relief and Economic Security Act.

## 16. Share capital

	<b>No. of shares (‘000)</b>	<b>Amount HK\$ '000</b>
Authorised: Ordinary shares of HK\$0.01 each	1,500,000	15,000
Issued and fully paid: At 1 January 2022 and 30 June 2022	<b>770,000</b>	<b>7,700</b>

## 17. Capital commitments

As at 30 June 2022, the Group had capital commitments contracted but not provided for in respect of the acquisition of property, plant and equipment of approximately HK\$2,666,000 (31 December 2021: HK\$2,092,000).

## 18. 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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Final dividend in respect of the year ended 31 December 2020, approved and paid during the interim period of HK\$0.05 per share	-	38,500
Dividends received from shares held under share award scheme	-	(1,479)
	<u>-</u>	<u>37,021</u>

During the period, a final dividend of HK\$0.06 per share totaling HK\$46,200,000 for the year ended 31 December 2021 was declared and subsequently paid in July 2022.

- (b) Dividends attributable to the interim period

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Interim dividends declared – HK\$0.03 (2021: Nil) per share ( <i>Note</i> )	<u>23,100</u>	<u>23,100</u>

*Note:*

The amount of the interim dividend declared for the six months ended 30 June 2022, 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 2022.

## 19. Business Combination

### (a) Acquisition of Quarto

As disclosed in Note 11, on 1 April 2022, the Group acquired 4.6% of the issued share of Quarto from an independent third party, at a consideration of HK\$23,130,000. Quarto is a company incorporated in the United States with its shares listed on the Main Market of the London Stock Exchange. Quarto is principally engaged in illustrated book publishing. After the Acquisition, the Group held 49.2% of the equity interest in Quarto. The Directors considered Quarto as a subsidiary of the Company as the Group gained control over Quarto thereafter.

The provisional fair value of identifiable assets and liabilities of Quarto as at the date of acquisition and goodwill arising from the acquisition were as follows:

	Unaudited <i>HK\$'000</i>	Unaudited <i>HK\$'000</i>
Property, plant and equipment	4,409	
Right-of-use assets	32,892	
Other intangible assets	224,636	
Inventories	165,955	
Trade and other receivables	307,981	
Cash and bank balances	84,299	
Trade and other payables	(332,209)	
Bank and other borrowings	(105,174)	
Lease liabilities	(35,932)	
Provision for taxation	(66,417)	
Deferred tax liabilities	(6,896)	
Total identifiable assets acquired and liabilities assumed	<u>          </u>	273,544
Non-controlling interest's proportionate share in identifiable assets		(138,859)
Net assets acquired		<u>134,685</u>
Cash consideration		23,130
Fair value of previously held equity interest		248,942
Goodwill		<u>137,387</u>
Cash and cash equivalents acquired		84,299
Purchase consideration settled in cash		(23,130)
Cash inflow on acquisition of a subsidiary		<u>61,169</u>

## **19. Business Combination (Continued)**

### **(a) Acquisition of Quarto (Continued)**

The fair value of trade and other receivables acquired as of the acquisition date amounted to HK\$307,981,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Goodwill of HK\$137,387,000, which is not deductible for tax purposes, mainly represented the value of expected synergies arising from the combination of the book publishing business with the existing operations of the Group.

Since the acquisition date, Quarto has contributed HK\$262,798,000 to revenue and a net profit of HK\$21,522,000 to the Group. If the acquisition had occurred on 1 January 2022, the Group's revenue and net profit for the six months ended 30 June 2022 would have been HK\$1,264,479,000 and HK\$165,659,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future performance.

The acquisition-related costs of HK\$1,224,000 have been expensed and are included in administrative expenses.

During the period from 1 April 2022 to 30 June 2022, the Group further acquired 0.8% interest in Quarto through open market or from independent third party at total consideration of HK\$5,731,000. As at 30 June 2022, the Group held 50.0% of the issued share capital in Quarto.

### **(b) Acquisition of book printing business**

On 24 May 2022, OPUS Group Pty. Ltd. ("OPUS"), an indirectly non-wholly owned subsidiary of the Company, entered into a business acquisition agreement with Ovato Limited ("Ovato"), pursuant to which, OPUS has conditionally agreed to purchase and Ovato has conditionally agreed to sell its book printing business at an initial consideration of HK\$47,175,000 (subject to adjustments) ("Acquisition of Business"). As all conditions precedent to the business acquisition agreement have been satisfied or waived in accordance with the terms and conditions therein, the Acquisition of Business was completed on 17 June 2022.

## 19. Business Combination (Continued)

### (b) Acquisition of book printing business (Continued)

The provisional fair value of identifiable assets and liabilities of the acquired business (“Acquired Business”) as at the date of acquisition and goodwill arising from the acquisition were as follows:

	Unaudited <i>HK\$'000</i>	Unaudited <i>HK\$'000</i>
Property, plant and equipment	2,813	
Right-of-use assets	4,097	
Inventories	20,399	
Trade and other receivables	33,520	
Trade and other payables	(13,386)	
Lease liabilities	(4,097)	
Provisions	(12,055)	
Total identifiable assets acquired and liabilities assumed	<hr/>	31,291
Cash consideration		47,175
Goodwill		<hr/> <hr/>

The fair value of trade and other receivables acquired as of the acquisition date amounted to HK\$33,520,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Goodwill of HK\$15,884,000, which is not deductible for tax purposes, mainly represented the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

Since the acquisition date, the Acquired Business has contributed HK\$7,617,000 to revenue and a profit of HK\$1,115,000 to the Group. If the acquisition had occurred on 1 January 2022, the Group’s revenue and net profit would have been HK\$1,166,417,000 and HK\$153,86,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future performance.

The acquisition-related costs of HK\$2,384,000 have been expensed and are included in administrative expenses.

## 20. Related party transactions

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

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Trade receivables from an associate	-	67,714
Printing income from an associate	38,456	73,258

(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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Short-term remuneration	4,047	4,753
Post-employment benefit	94	91
Equity settled share-based payments	478	478
	4,619	5,322

## 21. Contingent liabilities

As at 30 June 2022, the Group had no significant contingent liabilities (31 December 2021: Nil).

## 22. Fair value measurement

### (i) Recurring fair value measurements

	At 30 June 2022 (unaudited)		At 31 December 2021 (audited)	
	Level 1 HK\$'000	Level 2 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000
<b>Financial assets at fair value through profit or loss</b>				
Convertible note	-	12,598	-	-
Forward foreign exchange contracts	-	-	-	37
Net fair values	-	12,598	-	37
<b>Financial liabilities at fair value through profit or loss</b>				
Forward foreign exchange contracts	-	1	-	-
Net fair values	-	1	-	-

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

Loans to an associate, loan receivables, lease receivables, trade and other receivables, trade and other payables, bank and other borrowings and lease liabilities are carried at cost or amortised cost which are not materially different from their fair values as at 30 June 2022 and 31 December 2021.

### (iii) Measurement of fair values

The fair value of forward foreign exchange contracts and convertible note is measured using the applicable forward exchange rates and market prices respectively at the reporting date.

### **23. Post balance sheet events**

On 21 July 2022, Ovato announced the appointment of voluntary administrators with immediate effect. As at 30 June 2022, the Group has outstanding secured loan receivables from Ovato of HK\$49,726,000 and convertible note issued by Ovato with fair value of HK\$12,598,000. The Group recognised the right-of-use assets of HK\$17,361,000 in respect of the license right to use certain machineries granted by Ovato as at 30 June 2022. Such license right was settled by advanced payment to Ovato and Ovato is obliged to settle the lease liabilities on behalf of the Group. Subject to the outcome of the administration, the value of the aforesaid assets may have significant adverse impact.

Save for the aforesaid above, the Group has no other significant events after the reporting period and up to the date of this announcement.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Turnover of the Group for the first six months ended 30 June 2022 increased by 40% to HK\$1,087 million (H1 2021: HK\$777 million). Profit before taxation increased to HK\$187 million (H1 2021: HK\$62 million) and Group net profit after tax increased to HK\$157 million (H1 2021: HK\$47 million).

In the first quarter of the year, major retail channels in the US and Europe increased their pace of inventory accumulation of illustrated books as they had expected consumer spending to remain robust. Furthermore, the lack of workers and paper supply has limited global print capacity. As a result, publishers had to race to lock in printing time to fulfill their order demands.

The cascading pain from global supply chain disruptions is felt by our publishing clients. While the cost of shipping books from China is four times of pre-COVID prices, shipping delays have led to bigger buffer inventory, thus locking up more working capital. Book publishers will mitigate these issues by printing more books locally, and this re-shoring trend in the US and Europe will continue in the foreseeable future.

We continued our strategy to diversify our business. We have long predicted that China based printers will gradually lose competitive advantage as labour, paper and shipping costs increase with China's economic growth. In the first half of 2022, we have completed the acquisition of Griffin Press in Australia and increased our ownership in the Quarto Group in the UK. These diversified acquisitions will prove to be essential as global supply chain issues linger and the East and West are shifting toward a multipolar world economy.

Albeit the strong first half results, we are already seeing macro headwinds affecting our major markets. According to NPD BookScan, the number of books sold to US consumers declined by 7% y-o-y in the past six months. High inflation has forced consumers to make difficult spending choices on discretionary items. And rising interest rate and prospect of recession have further dampened personal consumptions.

### A. PRINT MANUFACTURING

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

Sales turnover increased by 20% year-on-year, driven mainly by demand from US based publishers. Margin has improved as commercial terms with our customers were revised to reflect the increase in our manufacturing and paper costs.

*Left Field Printing Group, Australia manufacturing:*

Left Field Printing's turnover has increased by 6%, driven by organic growth at McPherson Printing Group and the acquisition of Adelaide based Griffin Press from Ovato. We believe the combination of McPherson and Griffin will be beneficial to our customers through better utilization of equipment, additional investment in print capacity and certainty in domestic printing.

## **BUSINESS REVIEW (CONTINUED)**

### **A. PRINT MANUFACTURING (CONTINUED)**

*COS/Papercraft, Singapore/Malaysia manufacturing:*

Sales turnover at COS/Papercraft declined by 24% as we shifted more inter-company sales back to 1010 Printing to facilitate the consolidation of Papercraft and COS. Migration work is ongoing to transfer our production facilities from Singapore to Malaysia. We expect COS/Papercraft will continue to incur loss as we go through this transition.

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

APOL Group, international sales operations:

Sales turnover increased by 15% in the first six months at APOL. The sales increase was mainly driven by demand from US and UK based publishers. Latin American market remained difficult due to weak educational sales.

Regent, Hong Kong sales operation:

Regent's sales turnover increased by 9% in the first half of the year. The business displayed positive sales growth as the US educational sector recovered. We are cautiously optimistic that the positive trend will continue for the rest of the year.

### **C. PUBLISHING**

The Quarto Group

Quarto's revenue increased by 9% to reach US\$61.9 million (H1 2021: US\$56.9 million). The B2B business that produces contents for other publishers has powered Quarto ahead. Operating profit reached US\$7.2 million (H1 2021: US\$4.0 million) in what is the seasonally weak half year. Alison Goff has joined as Quarto's CEO in January 2021 and she will focus on transforming the business and taking it to a new level.

Supply chain remains a major issue in the global book market. To mitigate supply chain risks, Quarto is working on innovative ways and strategic partnerships to secure print capacity outside of China.

## **PROSPECTS**

We anticipate demand for print services will be soft in the second half of the year. High inflation will remain a drag on consumer spending. And retailers will have to sell off excess inventory of books at deep discount as consumptions switch away from stay-at-home goods to food, entertainment, and travel.

Logistics cost is expected to stay at elevated level. Last mile logistic services will be disrupted by a summer of discontent as port, truck and rail workers in the US and Europe go on strike over falling real wages. Freight shipping rates will also remain at high level as the three dominant shipping alliances resort to more blank sailings to hold up their rates.

## FINANCIAL REVIEW

Turnover for the six months ended 30 June 2022 increased by 39.9% to approximately HK\$1,086.7 million (2021: HK\$776.6 million). The increase in revenue was attributed to the inclusion of the results of The Quarto Group, Inc. (“Quarto”) since April 2022, contributing approximately HK\$262.8 million of revenue to the new book publishing segment. Turnover for the printing segment increased by approximately HK\$47.3 million was mainly driven by the strong demand from the US and UK based customers. Customers moved forward their order placing habit to the first half of the year in order to mitigate potential shipping delays.

Gross profit margin increased from 25.2% to 33.3% for the six months ended 30 June 2022 compared with same period in last year. The inclusion of the publishing segment in 2022 provided a higher gross profit contribution to the Group. Gross profit margin in the printing segment also increased during the period as a result of the lower fixed production cost rate associated with increased turnover.

Other income increased by HK\$32.6 million to approximately HK\$53.3 million (2021: HK\$20.7 million). The increase was mainly due to the gain on disposal of associate of HK\$31.3 million as a result of derecognizing Quarto as an associate in April 2022 and starting to consolidate its assets and liabilities into the Group.

Selling and distribution expenses increased by approximately HK\$53.8 million compared with the same period in 2021. Selling and distribution expenses against sales increased from 12.9% in 2021 to 14.2% in 2022. Such increase was due to higher portion of sales and marketing staff costs derived from the publishing segment.

Administrative expenses increased by HK\$20.2 million to approximately HK\$74.7 million (2021: HK\$54.5 million). The increase was mainly the result of the inclusion of Quarto’s administrative expenses of HK\$13.8 million; increase in legal and professional costs on various corporate projects and increase in overseas travelling and business trip costs.

Other expenses represented the expected credit loss on trade and loan receivables. Amount decreased due to the expected decrease in overall exposure in credit risk.

Finance costs increased slightly from approximately HK\$4.5 million for the six months ended 30 June 2021 to approximately HK\$5.1 million for the same period in 2022. The increase was attributed to the inclusion of Quarto’s borrowing costs in the current period.

Share of result of an associate reached HK\$6.5 million in 2022, representing the share of first quarter result in Quarto before it became subsidiary of the Company, comparing with HK\$6.1 million for the six-month period in 2021. This was a result of the continuous improvement in the performance in Quarto.

## **FINANCIAL REVIEW (CONTINUED)**

Income tax expenses increased to approximately HK\$29.9 million for the six months ended 30 June 2022 (2021: HK\$14.2 million), being associated with the increase in profit for the period.

Profit attributable to owners of the Company amounted to approximately HK\$140.3 million for the six months ended 30 June 2022 (2021: HK\$41.3 million), over three-fold increase compared to the same period in last year.

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

As at 30 June 2022, the Group had net current assets of approximately HK\$757.2 million (31 December 2021: HK\$595.1 million) of which the cash and bank deposits were approximately HK\$580.2 million (31 December 2021: HK\$431.9 million). The Group's current ratio was approximately 1.7 (31 December 2021: 2.0).

Total bank and other borrowings and lease liabilities as at 30 June 2022 were approximately HK\$443.1 million (31 December 2021: HK\$335.7 million). Bank and other borrowings of HK\$308.3 million, HK\$41.3 million and HK\$2.0 million were denominated in Hong Kong dollars, United States Dollars and EURO respectively. HK\$350.5 million of the borrowings was carried at floating rate and HK\$1.1 million was carried at fixed rate. All are repayable within five years. The Group's gearing ratio as at 30 June 2022 was 27.6% (31 December 2021: 24.9%), which is calculated on the basis of the Group's total interest-bearing debts (comprising bank and other borrowings and lease liabilities) over the total equity interest.

During the period, the Group had acquired property, plant and equipment at approximately HK\$9.0 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 2022, the Group had committed to acquire machinery of approximately HK\$2.7 million. The acquisition will be financed by the Group's internal resources.

The Group had no significant contingent liability as at 30 June 2022.

## OTHER DISCLOSURES

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

As at 30 June 2022, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

#### (a) Long Position in the shares of the Company

Name of Directors	Personal Interests (Shares)	Family Interests (Shares)	Corporate Interests (Shares)	Total Interests (Shares)	Percentage to the issued share capital of the Company (%)
Mr. Lau Chuk Kin (Note 1)	78,701,906	Nil	266,432,717	345,134,623	44.82
Ms. Lam Mei Lan	16,568,688	Nil	Nil	16,568,688	2.15
Mr. Guo Junsheng (Note 2)	Nil	Nil	249,804	249,804	0.03

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

Name of Directors	Personal Interests (Shares)	Family Interests (Shares)	Corporate Interests (Shares)	Total Interests (Shares)	Percentage to the issued share capital of Left Field (%)
Mr. Lau Chuk Kin (Note 3)	9,803,278	Nil	313,048,997	322,852,275	64.74
Ms. Lam Mei Lan	1,035,543	Nil	Nil	1,035,543	0.21

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

Name of Director	Number of shares				
	Granted but not yet vested at 1.1.2022	Granted during the period	Vested during the period	Cancelled/ lapsed during the period	Granted but not yet vested at 30.6.2022
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 2022, 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 2022, 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 2022, 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 44.82% 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 2022, 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 2022, 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 (Shares)	Interest in controlled corporation (Shares)	Total Interests (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)	27,931,168	41,413,808	69,344,976	9.00
JcbNext Berhad (Note 2)	54,112,030	Nil	54,112,030	7.03
Preferable Situation Assets Limited (Note 3)	41,413,808	Nil	41,413,808	5.38

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 2022, 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 2022, the Company had not been notified of any other person (other than a director or chief executive of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company and was required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **SHARE AWARD SCHEME**

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

During the six months period ended 30 June 2022, no share award was granted and no shares were purchased under the 1010 Share Award Scheme. At 30 June 2022, the Company had 27,796,000 awarded shares outstanding under the 1010 Share Award Scheme.

## **SHARE OPTION SCHEME**

A share option scheme (the “1010 Share Option Scheme”) was adopted by the Group, pursuant to its resolution passed on 22 April 2013 and effective for a period of ten years commencing from the adoption date. During the period, there was no share option issued under the 1010 Share Option Scheme. At 30 June 2022, 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 2022, 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 2022.

## **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 2022.

## **EMPLOYEES AND EMOLUMENT POLICY**

As at 30 June 2022, the Group had around 1,729 full-time employees (30 June 2021: 1,317). 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 (2021: HK\$0.03) per ordinary share for the six months ended 30 June 2022 to shareholders whose names appear on the register of holders of ordinary shares of the Company as at the close of business on 15 September 2022. The register of shareholders will be closed on 15 September 2022, 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 14 September 2022. The dividend is expected to be paid on 29 September 2022.

## **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 2022 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, 30 August 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.*