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1010 PRINTING GROUP LIMITED

匯星印刷集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 1127)

**ACQUISITION OF 75% OF THE ENTIRE ISSUED SHARE CAPITAL OF
REGENT AND THE ENTERING INTO THE OPTIONS AGREEMENT**

The Board is pleased to announce that on 23 March 2017, the Buyer, an indirect wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with the Seller, pursuant to which the Buyer has agreed to acquire and the Seller has agreed to sell the Sale Shares at approximately HK\$54.4 million. The Sale Shares represent 75% of the entire issued share capital of Regent. Upon Completion, Regent will be an indirect subsidiary of the Company. On the same date, the Buyer entered into the Options Agreement with Yau Wa and Mr. Tai, pursuant to which Yau Wa has been granted a Put Option and Call Options to sell and purchase the shares in Regent.

As the relevant applicable percentage ratios in respect of the Acquisition alone, or in aggregate with the Put Option, exceed 5% but are less than 25%, the Acquisition together with the Put Option constitutes a disclosable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the relevant applicable percentage ratios in respect of the Call Options exceed 5% but are less than 25%, the Call Options constitutes a disclosable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE ACQUISITION AND GRANTING OF OPTIONS

The Board is pleased to announce that on 23 March 2017 (after trading hours), the Buyer, an indirect wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with the Seller, pursuant to which the Buyer has agreed to acquire and the Seller has agreed to sell the Sale Shares at US\$4.5 million plus HK\$19.5

million (equivalent to approximately HK\$54.4 million). The Sale Shares represent 75% of the entire issued share capital of Regent. Upon Completion, Regent will be an indirect subsidiary of the Company. On the same date, the Buyer entered into the Options Agreement with Yau Wa and Mr. Tai, pursuant to which Yau Wa has been granted a Put Option and Call Options to sell and purchase the shares in Regent.

SHARE TRANSFER AGREEMENT

Date: 23 March 2017 (after trading hours)

Parties:

1. Magic Omen Limited, an indirect wholly-owned subsidiary of the Company as the Buyer; and
2. Quarto Publishing Plc as the Seller

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Seller is a third party independent of and not connected with the Company and the connected persons of the Company.

Assets to be Acquired: Sale Shares, representing 75% of the entire issued share capital of Regent.

As at the date of this announcement, the Seller holds 75% of the entire issued share capital of Regent. Prior to Completion, Regent 1) declared a dividend of HK\$116.3 million; and 2) will transfer the receivables and liabilities, which are not acquired by the Buyer, to the Seller and Yau Wa.

Consideration: The Consideration shall be US\$4.5 million plus HK\$19.5 million (equivalent to approximately HK\$54.4 million) payable on Completion.

The Consideration was arrived at after arm's length negotiations between the Buyer and the Seller after taking into consideration various factors, including (i) the trading history of Regent; and (ii) the target cash HK\$26 million maintained by Regent as at Completion.

The Consideration is funded by the internal resources of the Company.

Target Cash: If the cash maintained by Regent at Completion is less than HK\$26 million, the Seller shall indemnify the Buyer against and covenant to pay to the Buyer on a HK\$ for HK\$ basis a sum in cash equal to 75% of the shortfall amount.

Completion: Completion shall take place on 31 March 2017

THE OPTIONS AGREEMENT

As at the date of the Share Transfer Agreement, The Buyer entered into the Option Agreement with Yau Wa and Mr. Tai, pursuant to which Yau Wa has been granted a Put Option and Call Options to sell and purchase the shares in Regent. Mr. Tai is bound by a set of non-competition covenants under the terms of the Option Agreement. As at the date of this announcement, Yau Wa, a company wholly owned by Mr. Tai, holds the Remaining Shares.

No premium is payable for the grant of the Put Option and Call Options. The exercise price and the terms of the Options Agreement is determined at after arm's length negotiations among the Parties to the Options Agreement after taking into consideration various factors, including (i) the Consideration; and (ii) Mr. Tai's non-competition covenants.

To the best knowledge, information and belief of the Directors after having made all reasonable enquires, Yau Wa and Mr. Tai are third parties independent of and not connected with the Company and the connected persons of the Company.

Put Option

Yau Wa will have the right to sell to the Buyer, and require the Buyer to purchase, the Remaining Shares at the fourth anniversary of the date of the Options Agreement at exercise price of 1) 25% of the audited net assets value of Regent as at 31 December 2020; plus 2) the audited net profit after tax of Regent for the year ended 31 December 2020.

Call Options

Subject to Regent meeting the agreed profit target, Yau Wa will have the right to purchase from the Buyer, and require the Buyer to sell, the Sales Shares in two tranches. Yau Wa can exercise the Call Options anytime during the period of four years commencing from the second anniversary of the date of the Options Agreement.

- The first Call Option will allow Yau Wa to purchase 200 ordinary shares in Regent (representing 20% of the entire issued share capital of Regent) at exercise price of 1) 20% of the net assets value of Regent as at the date of exercise of the first Call Option; plus 2) 80% of the net profit after tax of Regent for the preceding 12 month period.
- The second Call Option will allow Yau Wa to purchase 550 ordinary shares in Regent (representing 55% of the entire issued share capital of Regent) at exercise price of 1) 55% of the net assets value of Regent as at the date of exercise of the second Call Option; plus 2) 220% of the net profit after tax of Regent for the preceding 12 month period.

INFORMATION ON REGENT

Regent is a company incorporated in Hong Kong in 1985 with limited liability and

issued capital of HK\$10,000. As at the date of this announcement, Regent is 75% owned by the Seller and 25% owned by Yau Wa. Regent is currently engaged in provision of services for book, magazine and non-book publishers. Key clients of Regent are global publishing houses.

The audited net profits of Regent before and after taxation for each of the two financial years immediately preceding the Acquisition and Granting of Options are as follows:

	Audited Profit of Regent	
	Before taxation (HK\$'000)	After Taxation (HK\$'000)
For the year ended 31 December 2014	11,109	9,612
For the year ended 31 December 2015	14,433	12,400

According to the unaudited management accounts of Regent prepared under generally accepted accounting principles of Hong Kong, the unaudited profit before and after taxation for the twelve months ended 31 December 2016 were approximately HK\$15.5 million and HK\$13.3 million respectively, and the unaudited net assets of Regent as at 31 December 2016 was approximately HK\$152 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND GRANTING OF OPTIONS

The Group is currently engaged in the provision of printing services to international book publishers, trade, professional and educational publishing conglomerates and print media companies. Regent is currently engaged in provision of services for book, magazine and non-book publishers. Thus the Group is of the view that the Acquisition allows the Group to broaden its customer base and strengthen its purchasing power.

The Put Option and Call Options will motivate Mr. Tai to increase the value of Regent and further strengthen his bonding with the Group.

LISTING RULES IMPLICATION

As the relevant applicable percentage ratios in respect of the Acquisition alone, or in aggregate with the Put Option, exceed 5% but are less than 25%, the Acquisition together with the Put Option constitutes a disclosable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the relevant applicable percentage ratios in respect of the Call Options exceed 5% but are less than 25%, the Call Options constitutes a disclosable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL

The Company is principally engaged in the provision of printing services to

international book publishers, trade, professional and educational publishing conglomerates and print media companies.

The Seller, a company incorporated in England, is principally engaged in book publishing.

Yau Wa, a company incorporated in Hong Kong, is an investment holding company.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the meanings set out below:

"Acquisition"	the Acquisition of the Sale Shares from the Vendor pursuant to the Share Transfer Agreement
"Board"	the board of Directors of the Company
"Buyer"	Magic Omen Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly owned subsidiary of the Company
"Call Option(s)"	The call option(s) granted to Yau Wa to buy shares in Regent pursuant to details set out in this announcement
"Company"	1010 Printing Group Limited, a company incorporated in the Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (stock code : 1127)
"Completion"	completion of the sale and purchase of the Sale Shares under the Share Transfer Agreement
"Consideration"	the amount of consideration for the Acquisition
"Director(s)"	the director(s) of the Company
"Granting of Options"	the granting of the Put Option and Call Options to Yau Wa pursuant to the Options Agreement
"Group"	the Company and its subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"Mr. Tai"	Mr. Tai Tin Yau, the managing director of Regent
"Options Agreement"	the option agreement entered into among the Buyer, Yau Wa and Mr. Tai on 23 March 2017 in respect of the Granting of Options
"Parties"	parties to the Options Agreement, i.e. the Buyer, Yau Wa and Mr. Tai
"Put Option"	The put option granted to Yau Wa to sell shares in Regent pursuant to details set out in this announcement
"Regent"	Regent Publishing Services Limited, a company incorporated in Hong Kong with limited liability
"Remaining Shares"	250 ordinary shares fully paid in the share capital of Regent, representing 25% of its entire issued share capital
"Sale Shares"	750 ordinary shares fully paid in the share capital of Regent, representing 75% of its entire issued share capital
"Share Transfer Agreement"	the sales and purchase agreement entered into between the Buyer and the Seller on 23 March 2017 in respect of the Acquisition
"Seller"	Quarto Publishing Plc, a company registered in England with limited liability
"US\$"	United States dollar, the lawful currency of United States
"Yau Wa"	Yau Wa Holdings Limited, a company incorporated in Hong Kong with limited liability and wholly owned by Mr. Tai
"%"	per cent.

By order of the Board
1010 Printing Group Limited
Lau Chuk Kin
Executive Director

Hong Kong, 23 March 2017

For the purpose of illustration only and unless otherwise stated, conversion of US\$ to HK\$ in this announcement are based on the exchange rate of US\$1.00 to HK\$7.75. Such conversion should not be construed as a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate.

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

* For identification purpose only