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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)

**BUSINESS UPDATE
VOLUNTARY ANNOUNCEMENT**

This announcement is made by the Company on a voluntary basis and intended to enable our shareholders and potential investors to understand the latest business development of the Group.

As highlighted in the Company's interim report 2017, the Group has a comfortable cushion of cash which enables the Group to self-finance acquisition and expansion when the need arises. Further to the acquisition of 75% of the issued shares capital of Regent Publishing Services Limited announced on 23 March 2017, the Board is pleased to provide an update of the Group's business strategy and status of some of the Group's operating units. The driving forces for the Group in moving forward are: 1) modernization; 2) diversification.

1) Modernization

Upgrading production facilities in 1010 Printing

The Group performed a detailed review of the existing production equipment in 1010 Printing's manufacturing plant situated at Yuanzhou, China. The most recent book binding machine and offset printing presses that the Group invested were in year 2014 and 2013 respectively. To maintain the competitiveness of the Group, management of the Company is upgrading some of the production equipment. On 15 December 2017, 惠州市匯星印刷有限公司, an indirect wholly owned subsidiary of the Company, entered into two contracts with a printing machine vendor ("Printing Machines Purchase Contracts"). Under the Printing Machines Purchase Contracts, the Group will purchase one new five-color offset printing press and one new eight-color offset printing press at a total consideration of approximately HK\$24.1 million (equivalent to approximately EUR2.6 million). On 16 and 19 December 2017, 惠州市匯星印刷有限公司 entered into two contracts with a book binding machines vendor ("Binding Machines Purchase Contracts"). Under the Binding Machines Purchase Contracts, the Group will purchase one new hard cover book production line and one new perfect binding line at a total consideration of approximately HK\$31.4 million (equivalent to approximately RMB16.5 million plus EUR 1.3 million).

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the vendors and their ultimate beneficial owners is an Independent Third Party; and the two vendors are independent to each other.

The printing presses and binding machines are manufactured in Germany and expected to be delivered to the manufacturing plant at Yuanzhou in or around June 2018. The replacement of the printing presses and the binding machines will improve the production quality and efficiency of 1010 Printing's plant to operate at a level that meets the requirements of our customers. The Directors consider that the terms of the Printing Machines Purchase Contracts and Binding Machines Purchase Contracts are on normal commercial terms, fair and reasonable and in the interest of the Group as a whole.

2) Diversification

The book printing industry faces daunting challenges : margin erosion, rapidly increasing paper costs which cannot be passed on entirely to the customers and the rising costs in hiring and keeping a skilled employee force. The need for the Group to diversify its business while maintaining its roots in book printing is becoming increasingly urgent.

Management is embarking on a strategy to capitalize on our strong balance sheet to acquire strategic stake in business partners in our business footprint : both upstream and downstream.

Acquisition of Quarto Shares

The recent acquisition of shares in the London Stock Exchange listed Quarto (LSE: QRT) is a case of investing upstream. Quarto is a leading global illustrated non-fiction book publisher and one of the Group's top five customers which has been trading with the Group since 2007. With the recent depreciation of GBP and the decline of its share prices, our investment has been well timed. The Group believes that the acquisition of Quarto Shares will complement the Group's existing printing business. The Group intends to hold the Quarto Shares for long-term investment purpose.

The Group started to acquire Quarto Shares in October 2017. As at the date of this announcement, the Group holds an aggregate of 3,259,929 Quarto Shares, representing approximately 15.95% of the issued share capital of Quarto. The aggregate consideration for the 3,259,929 Quarto Shares was approximately GBP4.1 million (equivalent to approximately HK\$42.0 million) (excluding stamp duty and related expenses), representing an average price of approximately GBP1.25 (equivalent to approximately HK\$12.87) per Quarto Share. As the acquisition of Quarto Shares was conducted in the open market, the price of each trade represented the then market price of the Quarto Shares at the relevant time of acquisition. The closing price of Quarto Share as at 18 December 2017 was GBP1.365 (equivalent to approximately HK\$14.20). To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the vendors of the Quarto Shares and their ultimate beneficial owners are Independent Third Party.

This announcement is made by the Company on a voluntary basis and each of the transactions stated above does not constitute a transaction discloseable under Chapter 14 or Chapter 14A of the Listing Rules for the Company.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Board”	the board of Directors
“Company”	Lion Rock Group Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange (Stock code: 1127)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EUR”	Euro , the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty on the Functioning of the European Union
“GBP”	British pound sterling, the lawful currency of the United Kingdom of Great Britain and Northern Ireland
“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
“Independent Third Party”	third party independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Quarto”	The Quarto Group, Inc., a company incorporated in the United States and the issued shares of which are listed on the London Stock Exchange (LSE: QRT)
“Quarto Share(s)”	share(s) of US\$0.1 each in the issued share capital of Quarto
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Shareholder(s)”	shareholder(s) of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

By Order of the Board
Lion Rock Group Limited
Yeung Ka Sing
Chairman

Hong Kong, 19 December 2017

As at the date of this announcement, the Board comprises Mr. Lau Chuk Kin, Ms. Lam Mei Lan, Mr. Lam Wing Yip and Mr. Chu Chun Wan as executive directors; Mr. Guo Junsheng and Mr. Li Hoi David, as non-executive directors; 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*