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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)

DISCLOSEABLE AND CONNECTED TRANSACTION

ACQUISITION OF QUARTO SHARES

The Board is pleased to announce that, on 9 October 2020 (after trading hours of the Stock Exchange), 1010 Printing, an indirect wholly-owned subsidiary of the Company, acquired 1,679,743 Quarto Shares, representing approximately 4.1% of the issued share capital of Quarto, from Mr. Lau, an executive Director and substantial Shareholder, at a consideration of £915,460 (equivalent to approximately HK\$9,154,600) (excluding stamp duty and related expenses).

Immediately before the Acquisition, 1010 Printing and Mr. Lau held approximately 32.6% and 8.2% of the issued share capital of Quarto, respectively. Immediately after the Acquisition, 1010 Printing and Mr. Lau hold approximately 36.7% and 4.1% of the issued share capital of Quarto, respectively.

The Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the percentage of ratios in respect of the Acquisition are more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the percentage of ratios in respect of the Acquisition, when aggregated with the Previous Transactions as a whole, are more than 5% and below 25%, the Acquisition, when aggregated with the Previous Transactions as a whole, constitute as a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is accordingly subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

THE ACQUISITION

The Board is pleased to announce that, on 9 October 2020 (after trading hours of the Stock Exchange), 1010 Printing, an indirect wholly-owned subsidiary of the Company, acquired 1,679,743 Quarto Shares, representing approximately 4.1% of the issued share capital of Quarto, at a price of 54.5 pence (equivalent to approximately HK\$5.45) (excluding stamp duty and related expenses) per Quarto Share from Mr. Lau, an executive Director and substantial Shareholder.

Set out below is the shareholding of 1010 Printing and Mr. Lau in Quarto (i) immediately before the Acquisition; and (ii) immediately after the Acquisition:

	Immediately before the Acquisition	Immediately after the Acquisition
1010 Printing		
No. of Quarto Shares held	13,315,083	14,994,826
(% of total issued capital of Quarto)	32.6%	36.7%
Mr. Lau		
No. of Quarto Shares held	3,359,486	1,679,743
(% of total issued capital of Quarto)	8.2%	4.1%

The total consideration for the Acquisition was £915,460 (equivalent to approximately HK\$9,154,600). The consideration for the Acquisition was determined after arm's length negotiations and with reference to the net assets value of Quarto and the closing price of 54.5 pence per Quarto Share quoted on the London Stock Exchange's Main Market on 8 October 2020.

The consideration of the Acquisition has been funded by the Group's internal resources. As informed by Mr. Lau, the original acquisition cost of the Quarto Shares which are subject of the Acquisition was approximately HK\$23 million.

INFORMATION OF QUARTO

Quarto is a company incorporated in the United States and the issued shares of which are listed on the Main Market of the London Stock Exchange (LSE: QRT). Quarto is principally engaged in illustrated book publishing.

Set out below is a summary of certain audited consolidated financial information of Quarto for the two years ended 31 December 2018 and 31 December 2019:

	Profit before tax (exclude exceptional items)	Loss before tax	Loss after tax
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
For the year ended 31 December 2018 (restated)	5,095	57	552

	Profit before tax (exclude exceptional items)	Profit before tax	Profit after tax
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
For the year ended 31 December 2019	4,263	3,844	2,882

The unaudited consolidated total asset value and net asset value of Quarto as at 30 June 2020 were approximately US\$140,634,000 and US\$33,170,000 respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the provision of printing services to international book publishers, trade, professional and educational publishing conglomerates and print media companies. One of the driving forces for the Group in moving forward is diversification.

Quarto, an associate of the Company, 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.

The Acquisition enables the Group to further increase its shareholding in Quarto in order to maximize the economic benefits through the Group's interest in Quarto.

The Directors (including the independent non-executive Directors, but excluding Mr. Lau) are of the view that the consideration of the Acquisition is reasonable and it is the appropriate timing to further increase the Group's equity interest in Quarto. The Directors (including the independent non-executive Directors, but excluding Mr. Lau) consider that the terms of the Acquisition are fair and reasonable and the Acquisition is on normal commercial terms or better and in the interest of the Company and the Shareholders as a whole.

Since Mr. Lau has a material interest in the Acquisition, he therefore has abstained from voting on the board resolution of the Company approving the Acquisition.

PREVIOUS TRANSACTIONS

Reference is made to the Company's announcements dated 16 January 2020 and 3 February 2020 ("Previous Announcements"). As stated in the Previous Announcements, 1010 Printing subscribed 7,720,154 Quarto Shares issued by Quarto pursuant to Quarto's open offer ("Quarto Open Offer") and an underwriting agreement on 3 February 2020. The total payment made by 1010 Printing was £5.2 million (equivalent to approximately HK\$52 million).

After the completion of the Quarto Open Offer in February (details as stated in the Previous Announcements), Quarto failed to comply with the free float requirements set out in UK Listing Rule 6.14 ("Free Float Requirement"), being that 25 per cent. of Quarto's common shares must be held in public hands by persons located in the European Economic Area. On 4 September 2020, 1010 Printing acquired 400,000 Quarto Shares from Herald Investment Trust plc ("Herald"), an Independent Third Party, at a consideration of £400,000 (equivalent to approximately HK\$4 million) (excluding stamp duty and related expenses). The acquisition of 400,000 Quarto Shares from Herald by 1010 Printing resulted in Quarto satisfying the Free Float Requirement. After the transaction, Herald's interest in Quarto dropped to below 5% and its holding was counted as shares held in public hands. Herald is an open-ended investment company and the issued shares of which are listed on the Main Market of the London Stock Exchange. The purchase price of £1 per share was above the market price. There has been few trading of shares of Quarto on the market and it required a price premium to acquire a large block of Quarto shares outside the trading venue.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Lau is deemed to be interested in 44.7% of the issued shares of the Company. Mr. Lau is an executive Director and substantial Shareholder. The Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the percentage of ratios in respect of the Acquisition are more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the percentage of ratios in respect of the Acquisition, when aggregated with the Previous Transactions as a whole, are more than 5% and below 25%, the Acquisition, when aggregated with the Previous Transactions as a whole, constitute as a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is accordingly subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

"£"	British pound, the lawful currency of United Kingdom
"1010 Printing"	1010 Printing Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
"Acquisition"	the acquisition of 1,679,743 Quarto Shares by 1010 Printing from Mr. Lau for a consideration of £915,460 (equivalent to approximately HK\$9,154,600) (excluding stamp duty and related expenses) on 9 October 2020(after trading hours of the Stock Exchange)
"Board"	the board of Directors
"Company"	Lion Rock Group Limited (獅子山集團有限公司*), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of 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
"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 independent of the Company and its connected persons

Third Party"

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Previous Transactions"	the subscription of 7,720,154 Quarto Shares pursuant to Quarto's open offer and an underwriting agreement on 3 February 2020 and the acquisition of 400,000 Quarto Shares from Herald Investment Trust plc on 4 September 2020, by 1010 Printing
"Mr. Lau"	Mr. Lau Chuk Kin, an executive Director and substantial Shareholder and a shareholder, executive director and chief executive officer of Quarto
"Quarto"	The Quarto Group, Inc., an associate of the 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
"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
"United States"	the United States of America
"%"	per cent.

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

Hong Kong, 9 October 2020

For the purpose of illustration only and unless otherwise stated, conversion of £ to HK\$ in this announcement is based on the exchange rate of £1.00 to HK\$10.0. 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 of directors of the Company 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.

* For identification purpose only