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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)

**MAJOR TRANSACTION
ACQUISITION OF QUARTO SHARES**

The Board is pleased to announce that, on 1 April 2022 (after trading hours of the Stock Exchange), 1010 Printing, an indirect wholly-owned subsidiary of the Company, acquired 1,875,000 Quarto Shares, representing approximately 4.6% of the issued share capital of Quarto, from Mr. Zen Wei Peu at a consideration of £2,250,000 (equivalent to approximately HK\$23,175,000)

Immediately before the Acquisition, 1010 Printing held approximately 44.7% of the issued share capital of Quarto. Immediately after the Acquisition, 1010 Printing holds approximately 49.2% of the issued share capital of Quarto. The Acquisition would result in the consolidation of the assets of Quarto in the accounts of the Group by reason of the Company having gained control over Quarto based on accounting treatment.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition, on a standalone basis and when aggregated with previous acquisitions (which include the 2021 Acquisition, the First Open Market Acquisition and the Second Open Market Acquisition) over the past 12 months, are more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, none of the Shareholders or any of their respective close associates has a material interest in the Acquisition, and if the Company was to convene a special general meeting for the approval of the Acquisition, none of the Shareholders is required to abstain from voting.

As at the date of this announcement, a closely allied group of Shareholders directly holding approximately 51.05% of the entire issued share capital of the Company have given its written approval for the Acquisition pursuant to Rule 14.44 of the Listing Rules. Accordingly, such written approval has been accepted in lieu of convening a special general meeting of the Company to approve the Acquisition as permitted under Rule 14.44.

The Company will despatch to the Shareholders a circular containing, among others, further information of the Acquisition in accordance with the requirements of the Listing Rules on or before 27 April 2022.

THE ACQUISITION

The Board is pleased to announce that, on 1 April 2022 (after trading hours of the Stock Exchange), 1010 Printing, an indirect wholly-owned subsidiary of the Company, acquired 1,875,000 Quarto Shares, representing approximately 4.6% of the issued share capital of Quarto, from Mr. Zen Wei Peu at a price of £1.2 per Quarto Share (equivalent to approximately HK\$12.36) (excluding stamp duty and related expenses). To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Mr. Zen Wei Peu is an Independent Third Party.

The total consideration for the Acquisition was £2,250,000 (equivalent to approximately HK\$23,175,000) (excluding stamp duty and related expenses). 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 £1.35 per Quarto Share quoted on the London Stock Exchange's Main Market on 31 March 2022.

The consideration of the Acquisition has been funded by the Group's internal resources.

PREVIOUS ACQUISITIONS

Reference is made to (i) the Company's announcement dated 11 October 2021 in relation to the acquisition of 1,679,743 Quarto Shares by 1010 Printing from Mr. Lau, an executive Director and substantial Shareholder, at a consideration of £1,511,769 (equivalent to approximately HK\$15.6 million) (excluding stamp duty and related expenses) (the "**2021 Acquisition**"); and (ii) the Company's announcement dated 7 January 2022 in relation to the acquisition of 1,185,000 Quarto Shares by 1010 Printing in the open market of the London Stock Exchange for an aggregate consideration of approximately £1,404,950 (equivalent to approximately HK\$14.5 million) (excluding stamp duty and related expenses) (the "**First Open Market Acquisition**").

Between 7 January 2022 and 26 January 2022 (both dates inclusive), 1010 Printing acquired an aggregate of 398,000 Quarto Shares in the open market of the London Stock Exchange for an aggregate consideration of approximately £497,488 (equivalent to approximately HK\$5.1 million) (the "**Second Open Market Acquisition**"). The Second Open Market Acquisition do not constitute any notifiable transaction of the Company under Chapter 14 of the Listing Rules and, when aggregated with the 2021 Acquisition and the First Open Market Acquisitions, constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

SHARES ACQUIRED

Immediately before the Acquisition, 1010 Printing held approximately 44.7% of the issued share capital of Quarto. Immediately after the Acquisition, 1010 Printing holds approximately 49.2% of the issued share capital of Quarto. The Acquisition would result in the consolidation of the assets of Quarto in the accounts of the Group by reason of the Company having gained control over Quarto based on accounting treatment.

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 extracted from the published documents of Quarto for the year ended 31 December 2020 and 2021, respectively:

| | For the year ended 31 December | |
|--------------------------|--|--|
| | 2021 <i>(audited)</i> <i>US\$ million</i> | 2020 <i>(audited)</i> <i>US\$ million</i> |
| Revenue | 151.5 | 126.9 |
| Profit before tax | 14.2 | 6.6 |
| Profit after tax | 9.9 | 4.6 |

Based on the audited consolidated financial statements of Quarto for the year ended 31 December 2020 and 2021, the net asset value of Quarto as at 31 December 2020 and 2021 was approximately US\$43,713,000 and US\$53,209,000, 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 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) are of the view that the consideration of the Acquisition is fair and 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) consider that the terms of the Acquisition are fair and reasonable and the Acquisition is on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE ACQUISITION UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition, on a standalone basis and when aggregated with previous acquisitions (which include the 2021 Acquisition; the Frist Open Market Acquisition and the Second Open Market Acquisition) over the past 12 months, are more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, none of the Shareholders or any of their respective close associates has a material interest in the Acquisition, and if the Company was to convene a special general meeting for the approval of the Acquisition, none of the Shareholders is required to abstain from voting.

As at the date of this announcement, the following closely allied group of Shareholders are directly interested in approximately 51.05% of the entire issued share capital of the Company:

| Name of Shareholder | No. of shares held | Approximately percentage of shareholding in the Company |
|---------------------------------|---------------------------|--|
| Mr. Lau (<i>Note i</i>) | 78,701,906 | 10.22% |
| City Apex (<i>Note i</i>) | 258,135,326 | 33.52% |
| ER2 (<i>Note i</i>) | 8,297,391 | 1.08% |
| Ms. Lam (<i>Note ii</i>) | 16,568,688 | 2.15% |
| Great Eagle (<i>Note iii</i>) | 31,387,503 | 4.08% |
| Total | 393,090,814 | 51.05% |

Notes:

- (i) ER2 directly holds 77% equity interest in City Apex and Mr. Lau directly owns approximately 69.76% of the issued share capital of ER2. Accordingly, Mr. Lau is interested in 345,134,623 Shares, representing approximately 44.82% of the issued share capital of the Company. ER2 and City Apex are deemed as parties acting in concert with Mr. Lau for the purpose of the Takeovers Code and Rule 14.45(4) of the Listing Rules.
- (ii) Ms. Lam and Mr. Lau have an established long term past and present business association with each other since 1996. Ms. Lam has become a Shareholder since 2011.
- (iii) Great Eagle is a wholly-owned subsidiary of Great Eagle Holdings; which indirectly holds 23% of issued share capital of City Apex. Great Eagle is deemed as a party acting in concert with Mr. Lau, City Apex and ER2 for the purpose of the Takeovers Code and Rule 14.45(4) of the Listing Rules.

The aforesaid Relevant shareholders have given its written approval for the Acquisition pursuant to Rule 14.44 of the Listing Rules. Accordingly, such written approval has been accepted in lieu of convening a special general meeting of the Company to approve the Acquisition as permitted under Rule 14.44.

The Company will despatch to the Shareholders a circular containing, among others, further information of the Acquisition in accordance with the requirements of the Listing Rules on or before 27 April 2022.

DEFINITIONS

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

| | |
|-----------------|---|
| "£" | British pound, the lawful currency of the United Kingdom |
| "1010 Printing" | 1010 Printing Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company |

| | |
|----------------------------------|---|
| “2021 Acquisition” | the acquisition of 1,679,743 Quarto Shares by 1010 Printing from Mr. Lau for a consideration of 1,511,769 (equivalent to approximately HK\$15.6 million) (excluding stamp duty and related expenses) on 11 October 2021 |
| “Acquisition” | the acquisition of 1,875,000 Quarto Shares by 1010 Printing from Mr. Zen Wei Peu on 1 April 2022 (after trading hours of the Stock Exchange) at a consideration of £2,250,000 (equivalent to approximately HK\$23,175,000) (excluding stamp duty and related expenses) |
| "Board" | the board of Directors |
| “City Apex” | City Apex Ltd., a company incorporated in the British Virgin Islands with limited liability |
| "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) |
| "Director(s)" | the director(s) of the Company |
| “ER2” | ER2 Holdings Limited, a company incorporated in Hong Kong with limited liability |
| “First Open Market Acquisitions” | the acquisition of an aggregate of 1,185,000 Quarto Shares in the open market of the London Stock Exchange by 1010 Printing between 6 August 2021 and 6 January 2022 (both dates inclusive) for an aggregate consideration of approximately £1,404,950 (equivalent to approximately HK\$14.5 million) (excluding stamp duty and related expenses) |
| “Great Eagle” | The Great Eagle Company, Limited, a company incorporated in Hong Kong with limited liability and a Shareholder |
| “Great Eagle Holdings” | Great Eagle Holdings Limited, a company listed on the Stock Exchange (Stock code: 0041.HK), |
| "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 |
| "Mr. Lau" | Mr. Lau Chuk Kin, an executive Director and substantial Shareholder and an executive director of Quarto |

| | |
|-----------------------------------|--|
| “Ms. Lam” | Ms. Lam Mei Lan, an executive Director, a Shareholder and a non-executive director of Quarto |
| "Quarto" | The Quarto Group, Inc., 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 |
| “Relevant Shareholders” | Mr. Lau, City Apex, ER2, Ms. Lam and Great Eagle |
| “Second Open Market Acquisitions” | the acquisition of an aggregate of 398,000 Quarto Shares in the open market of the London Stock Exchange by 1010 Printing between 7 January 2022 and 26 January 2022 (both dates inclusive) for an aggregate consideration of approximately £497,488 (equivalent to approximately HK\$5.1 million) (excluding stamp duty and related expenses) |
| “Shareholder(s)” | shareholder(s) of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Takeovers Code” | The Codes on Takeovers and Mergers and Share Buy-backs |
| "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, 1 April 2022

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\$10.3. 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*