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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)

CONTINUING CONNECTED TRANSACTIONS

FRAMEWORK AGREEMENT

THE FRAMEWORK AGREEMENT

The Board is pleased to announce that, on 27 February 2024 (after trading hours of the Stock Exchange), the Company entered into the Framework Agreement with Giunti in respect of the Transactions. The annual cap in respect of the aggregate Transaction Fee for all the Transactions under the Framework Agreement for each of the three years ending 31 December 2026 is HK\$40,000,000.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Lombardo is the deemed controlling shareholder of Giunti. Mr. Lombardo is a non-executive director and deemed to be interested in 22.3% of Quarto. Quarto is a subsidiary of the Company. Thus, Giunti is a connected person of the Company at the subsidiary level under the Listing Rules. The Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the annual cap of the transactions contemplated under the Framework Agreement are more than 1% but less than 5%, the transactions contemplated under the Framework Agreement are exempt from the circular and shareholders' approval requirements but are subject to the announcement, disclosure and reporting requirements under Chapter 14A of the Listing Rules.

BACKGROUND

The Board is pleased to announce that, on 27 February 2024 (after trading hours of the Stock Exchange), the Company entered into a framework agreement (the "**Framework Agreement**") with Giunti in respect of the Transactions.

THE FRAMEWORK AGREEMENT

Date

27 February 2024 (after trading hours of the Stock Exchange)

Parties

- (a) the Company; and
- (b) Giunti Editore S.p.A.

Subject Matter

The Company and Giunti agreed that:

- (a) the Group grants to/receives from Giunti license rights to publish and sell book titles for a specified period of time (“**Royalties Transaction**”);
- (b) the Group sells finished copies of book titles to Giunti (“**Books Transaction**”); and
- (c) the Group provides printing services to Giunti (“**Printing Transaction**”)

in accordance with the terms and conditions of the Framework Agreement.

Term

From 27 February 2024 to 31 December 2026.

Either party may terminate the Framework Agreement immediately by serving notice to the other party if the other party is in material breach of its obligation under the Framework Agreement.

Price and Payment

The Transaction Fee shall be determined by the parties from time to time and specified in the relevant licence/purchase agreement or purchase order (“**Transaction Document**”) for each Transaction on arm’s length basis, normal commercial terms and on terms not less favourable to the Group than terms of similar transactions between the Group and independent third parties. The Transaction Fee will be set with reference to, among others things, the factors stated below.

Royalties Transaction

The Transaction Fee for Royalties Transaction shall be determined with reference to the recommended retail price of the relevant book title, copies sold and credit terms.

The party which owns the royalty right shall send invoice to the other party once a year. The invoices for Royalties Transaction shall be due and payable within 30 days from the date of invoice.

Books Transaction

The Transaction Fee for Books Transaction shall be determined with reference to the recommended retail price of the relevant book title, quantity, production cost, credit terms and terms of delivery.

The Group shall issue separate invoice to Giunti for each Book Transaction. Two-third of the Transaction Fee as deposit shall be paid by Giunti before the time of shipment for new book titles. The Group shall invoice Giunti the balance of the Transaction Fee for each Transaction Document at the time of shipment. The invoices for Book Transaction shall be due and payable within 60 and 90 days for new and reprint book titles, respectively.

Printing Transaction

The Transaction Fee for Printing Transaction shall be determined with reference to the raw materials cost, quantity, labour cost, production cost, credit terms and terms of delivery, and with a mark-up margin calculated by considering the production schedule of the Group, seasonality factor and complexity for the Printing Transaction.

The Group shall invoice Giunti for all printing products at the time of shipment and separate invoice shall be issued for each Transaction Document for the Printing Transaction. The invoices for Printing Transaction shall be due and payable within 120 days from the date of invoice.

HISTORICAL TRANSACTION RECORDS

The aggregate amount paid and received by the Group in respect of the Transactions for the two years ended 31 December 2023 are set out as follows:

	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Royalties Transaction fee paid/payable	8	58
Royalties Transaction fee received/receivable	-	16
Books Transaction fee received/receivable	2,520	4,492
Printing Transaction fee received/receivable	117	3,742
Total amount	2,645	8,308

ANNUAL CAP

The annual cap in respect of the aggregate Transaction Fee for all the Transactions under the Framework Agreement for each of the three years ending 31 December 2026 is HK\$40,000,000. The annual cap for each of the three years ending 31 December 2026 has been determined by the Company with reference to historical transaction records and the anticipated demand of the Transactions by Lion Rock and Giunti. The Group has been expanding its customers/suppliers base in Europe while Giunti is exploring to increase its sourcing from Asia. Hence, the Transactions with Giunti is anticipated to increase in the coming years.

INTERNAL CONTROL MEASURES

The Group has implemented internal control measures for monitoring its continuing connected transactions, including (without limitation) the regular review of transaction volume by the Group's finance department to monitor the annual cap of the Transactions. In addition, the Company's auditors and independent non-executive Directors will conduct annual review of the Transactions and provide annual confirmations in accordance with the Listing Rules that the Transactions are conducted in accordance with the terms of the Framework Agreement, on normal commercial terms, in the interest of the Company and its Shareholders as a whole, and in accordance with the relevant pricing policies.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWAOK AGREEMENT

The Group is principally engaged in illustrated book publishing and provision of printing services to international book publishers, trade, professional and educational publishing conglomerates and print media companies.

Giunti is a book publisher and operates book stores in Italy.

The entering into of the Framework Agreement enables the Group to further strengthen its trading relationship with Giunti and gain economic benefits through the Transactions. The Group could further increase its sales coverage in Europe.

The Directors (including the independent non-executive Directors) consider that the terms and the transactions contemplated under the Framework Agreement are fair and reasonable, on normal commercial terms, in the usual and ordinary course of business of the Group and in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Lombardo is the deemed controlling shareholder of Giunti. Mr. Lombardo is a non-executive director and deemed to be interested in 22.3% of Quarto. Quarto is a subsidiary of the Company. Thus, Giunti is a connected person of the Company at the subsidiary level under the Listing Rules. The Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the annual cap of the transactions contemplated under the Framework Agreement are more than 1% but less than 5%, the transactions contemplated under the Framework Agreement are exempt from the circular and shareholders' approval requirements but are subject to the announcement, disclosure and reporting requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

"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)
"Director(s)"	the director(s) of the Company
"Giunti"	Giunti Editore S.p.A., a company incorporated in Italy, with Mr. Lombardo being the deemed controlling shareholder.
"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
"Mr. Lombardo"	Mr. Andrea Giunti Lombardo, a non-executive director and being deemed to be interested in 22.3% of Quarto
"Quarto"	The Quarto Group, Inc., a subsidiary of the Company, incorporated in the United States of America
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction(s)"	the Royalties Transaction, Books Transaction and/or Printing Transaction carried out between the Group and Giunti
"Transaction Fee(s)"	the fee(s) charged for the Transaction(s)
"%"	per cent.

By order of the Board
Lion Rock Group Limited
Lau Chuk Kin
Chairman

Hong Kong, 27 February 2024

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; Prof. Lee Hau Leung, Dr. Ng Lai Man, Carmen, Mr. Ho Tai Wai and Mr. Ng Siu On as independent non-executive directors.

* For identification purpose only