

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **LAM SOON (HONG KONG) LIMITED**

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 411)

### **Continuing Connected Transactions – Master Services Agreement**

LSHK entered into the Master Services Agreement on 2 July 2014 for the provision of Services by the Service Providers to the Service Recipients. The transactions contemplated under the Master Services Agreement constitute continuing connected transactions for LSHK under the Listing Rules.

As the Annual Cap results in the applicable percentage ratios under the Listing Rules being less than 5%, the Master Services Agreement is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules. In the event that the Total Fees would exceed the Annual Cap for any of the three financial years ending 30 June 2017, LSHK will comply with the Listing Rules as appropriate.

Details of the Master Services Agreement will be included in LSHK's relevant published annual report and accounts in compliance with the Listing Rules. LSHK will also comply with the Listing Rules in relation to the annual review of the transactions entered into pursuant to the Master Services Agreement by the independent non-executive directors and the auditors of LSHK.

### **BACKGROUND**

Reference is made to the announcement of LSHK issued on 4 July 2011 regarding the master services agreement entered into by LSHK with GGMC and GOMC for the provision of Services (as detailed below) to the LSHK Group (the "Existing Services Agreement") which constituted continuing connected transactions for LSHK under the Listing Rules. The Existing Services Agreement expired after 30 June 2014.

### **MASTER SERVICES AGREEMENT**

A master services agreement (the "Master Services Agreement") was entered into by LSHK with GGMC and GOMC on 2 July 2014 for provision of services by GGMC or GOMC to LSHK and/or the Selected Subsidiaries.

The services to be provided thereunder include, among other things, overview of businesses and operations, investment management and financial management disciplines, treasury and risk management, key managerial recruitment and retention as well as other operating practices and procedures, accounting, corporate advisory, legal, company secretarial and other services (the "Services").

The Master Services Agreement is for a term of three financial years from 1 July 2014 to 30 June 2017.

### **Service Fees**

The fees payable under the Master Services Agreement comprise a monthly fee (the “Monthly Fee”), currently HK\$50,000 payable by LSHK, or such amount as agreed from time to time between the parties and an annual fee (the “Annual Fee”) equal to three per cent. of the annual profit before tax of such Service Recipient as shown in the audited profit and loss account for the relevant financial year. The Annual Fee payable in respect of the Service Recipients which, from time to time, form the food and cleaning supplies business and central cost relating to this business of LSHK shall be calculated on a worldwide group basis based on the aggregate of the annual profit/loss before tax of each member of the LSHK group. The Annual Fee will also be subject to appropriate adjustments (e.g. to avoid double counting of profit) if any.

The total fees paid by LSHK under the Existing Services Agreement for each of the financial years ended 30 June 2012 and 30 June 2013 were approximately HK\$0.6 million and HK\$5.6 million respectively.

### **Annual Cap**

The total fees (the “Total Fees”), being the sum of the Monthly Fee, the Annual Fee and the total amount of any fees paid or payable by the LSHK Group to any Hong Leong Group company for services of a similar nature as the Services, are subject to an annual cap of HK\$23 million (the “Annual Cap”) for each of the three financial years ending 30 June 2017.

The Annual Cap is determined having regard to i) the average absolute annual rate of change of 31.9% of the total fees actually paid for the existing services for the four financial years from 2009/10 to 2012/13 (excluding the exceptionally low fee in 2011/12 where only monthly fee was paid); ii) an estimated annual inflation rate of 3.9% in Hong Kong and an estimated annual food inflation rate of 6.1% in China; iii) an estimated annual rate of appreciation of Renminbi against Hong Kong dollars of 1.4%; and iv) the anticipated growth of business operations. The Directors consider the Annual Cap, being determined on the aforesaid basis, to be fair and reasonable. As the Annual Fee is calculated on the annual profit before tax which will be subject to possible fluctuation due to various factors, the Annual Fee may not be in a consistent growth trend. Having regard to this issue, the Directors consider that the Annual Cap should be applied for each of the three financial years ending 30 June 2017.

The total fees paid and payable by LSHK in respect of the Existing Services Agreement are subject to an annual cap of HK\$22 million.

## **REASONS FOR AND BENEFITS OF THE MASTER SERVICES AGREEMENT**

The Master Services Agreement is in the interests of LSHK because it allows each Service Recipient to tap into the services infrastructure and global network of the Hong Leong Group in order to extract its management expertise so as to derive optimal strategic, financial and operational leverage and benefits in connection with the respective business of such Service Recipient to operate its business activities in a more efficient and effective manner. Against such distinctive services infrastructure and global network of the Hong Leong Group, comparable management expertise, services and resources may not be available from independent third parties.

After taking into consideration the overall benefits that the LSHK Group can derive from the Services; the basis of charging the service fees which is primarily calculated based on annual profit before tax of the Service Recipients, the Directors (including the independent non-executive directors) are of the view that (i) the Master Services Agreement is entered into in the ordinary and usual course of business of the Company and on normal commercial terms; (ii) the terms of Master Services Agreement are no less favourable to the LSHK Group than the respective terms available from independent third parties; (iii) the terms are considered to be fair and reasonable and in the interests of the LSHK Group and the shareholders of LSHK as a whole; and (iv) the basis of determining the Annual Cap is fair and reasonable.

## **LISTING RULES IMPLICATIONS**

The Service Providers are connected persons (as defined in the Listing Rules) of LSHK by virtue of the fact that they are indirect wholly-owned subsidiaries of Hong Leong, an indirect controlling shareholder of LSHK which is deemed to be interested in the shareholding of 63.42% in LSHK. The transactions contemplated under the Master Services Agreement constitute continuing connected transactions for LSHK under the Listing Rules.

As the Annual Cap results in the applicable percentage ratios under the Listing Rules being less than 5%, the Master Services Agreement is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules. In the event that the Total Fees exceed the Annual Cap for any of the three financial years ending 30 June 2017, LSHK will comply with the Listing Rules as appropriate.

Details of the Master Services Agreement will be included in LSHK's relevant published annual report and accounts in compliance with the Listing Rules. LSHK will also comply with the Listing Rules in relation to annual review of the transactions entered into pursuant to the Master Services Agreement by the independent non-executive directors and the auditors of LSHK.

No Director is deemed to have a material interest in the Master Services Agreement and that all Directors are entitled to vote pursuant to the Company's articles of association. Mr. Kwek Leng Hai, being a director of and a shareholder of less than 5% interest in Hong Leong, and a director of GGMC and GOMC, elected to abstain

from voting on the resolutions in relation to the approval of the Master Services Agreement.

## **GENERAL**

LSHK's principal activity is investment holding. The principal activities of its subsidiaries include manufacturing, trading and processing of edible oil, detergent products and flour products in Hong Kong, PRC and Macau.

The Hong Leong Group is a leading conglomerate based in Malaysia with diversified businesses in banking and financial services, manufacturing and distribution, property development and investment, as well as hospitality and leisure. Its presence spans from Malaysia to the rest of Asia, Western Europe and the UK, North America and Oceania.

GGMC is principally an investment holding company and engaged in the provision of management services. GOMC is principally engaged in the provision of management services.

As at the date of this announcement, the directors of LSHK are:

*Chairman:*

Mr. KWEK Leng Hai

*Group Managing Director:*

Mr. Joseph LEUNG

*Independent Non-Executive Directors:*

Mr. LO Kai Yiu, Anthony

Mr. Au Chee Ming

Mr. HUANG Lester Garson, J.P.

*Non-Executive Directors:*

Dr. WHANG Sun Tze

Mr. TAN Lim Heng

Mr. TSANG Cho Tai

## **DEFINITIONS**

|             |   |
|-------------|---|
| "Directors" | The directors of the Company  |
| "GGMC"      | GuoLine Group Management Co. Limited, an indirect wholly-owned subsidiary of Hong Leong |
| "GOMC"      | GOMC Limited, an indirect wholly-owned subsidiary of Hong Leong                         |
| "HK\$"      | Hong Kong dollars, the lawful currency of the Hong Kong                                 |

|                         |   |
|-------------------------|---|
| “Hong Kong”             | the Hong Kong Special Administrative Region of the PRC  |
| “Hong Leong”            | Hong Leong Company (Malaysia) Berhad, a substantial shareholder of LSHK   |
| “Hong Leong Group”      | Hong Leong and its subsidiaries from time to time   |
| “Listing Rules”         | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited  |
| “LSHK” or the “Company” | Lam Soon (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on The Stock Exchange of Hong Kong Limited (Stock Code: 411) |
| “LSHK Group”            | LSHK and its subsidiaries from time to time   |
| “Macau”                 | the Macao Special Administrative Region of the People’s Republic of China   |
| “PRC”                   | the People’s Republic of China  |
| “Renminbi”              | the lawful currency of the PRC  |
| “Selected Subsidiaries” | at any time, (unless otherwise agreed) all the subsidiaries of LSHK   |
| “Service Provider”      | GGMC or GOMC  |
| “Service Recipients”    | LSHK and the Selected Subsidiaries  |

By Order of the Board  
**Cheng Man Ying**  
*Company Secretary*

Hong Kong, 3 July 2014