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LAM SOON (HONG KONG) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 411)

Continuing Connected Transactions – Master Services Agreements

LSHK entered into the Master Services Agreements on 7 July 2017 for the provision of the Services by the Service Providers of the Hong Leong Group to the Service Recipients. The transactions contemplated under the Master Services Agreements 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 Agreements are only 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 2020, LSHK will comply with the Listing Rules as appropriate.

Details of the Master Services Agreements 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 Agreements by the independent non-executive directors and the auditors of LSHK.

BACKGROUND

Reference is made to the announcement of LSHK issued on 3 July 2014 regarding the master services agreement entered into by LSHK with the Service Providers 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 2017.

MASTER SERVICES AGREEMENTS

Two master services agreements (collectively, the "Master Services Agreements") were entered into by the following parties on 7 July 2017:-

1. LSHK with GGMC for provision of Services (as detailed below) by GGMC to LSHK's Offshore Subsidiaries; and
2. LSHK with GOMC for provision of Services (as detailed below) by GOMC to LSHK and the Hong Kong Subsidiaries.

The services to be provided thereunder include, among other things, overview and/or oversight 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 Agreements are for a term of three financial years from 1 July 2017 to 30 June 2020.

Service Fees

The fees payable under the Master Services Agreements comprise a monthly fee (the “Monthly Fee”) (if applicable), currently HK\$50,000 payable by LSHK, or such amount as agreed from time to time between LSHK or such Service Recipient and the relevant Service Provider 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 its 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 in respect of the Existing Services Agreement for each of the financial years ended 30 June 2015 and 30 June 2016 were approximately HK\$5.6 million and HK\$8.6 million respectively.

Annual Cap

The yearly total fees (the “Total Fees”), being the sum of the Monthly Fee (if applicable), the Annual Fee and the total amount of any fees paid or payable by the LSHK Group to any Hong Leong Group company in respect of that financial year for services of a similar nature as the Services, are subject to an annual cap of HK\$25 million (the “Annual Cap”) for each of the three financial years ending 30 June 2020.

The Annual Cap is determined having regard to i) the average absolute annual rate of change of 26.1% of the total fees actually paid for the existing services for the six financial years from 2010/11 to 2015/16 (excluding the exceptionally low fee in 2011/12 where only monthly fee was paid); and ii) macro adjustment factor of 1.0329 taken into account of the estimated annual inflation rate in Hong Kong, the estimated annual food inflation rate in China and the estimated annual rate of depreciation of Renminbi against Hong Kong dollars. 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 from 1 July 2017 to 30 June 2020.

The total fees paid and payable by LSHK in respect of the Existing Services Agreement were subject to an annual cap of HK\$23 million.

REASONS FOR AND BENEFITS OF THE MASTER SERVICES AGREEMENTS

The Master Services Agreements are in the interests of LSHK because they allow 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 Agreements are entered into in the ordinary and usual course of business of the LSHK Group and on normal commercial terms; (ii) the terms of the Master Services Agreements are considered to be fair and reasonable and in the interests of the LSHK Group and the shareholders of LSHK as a whole; and (iii) the basis of determining the Annual Cap is fair and reasonable.

LISTING RULES IMPLICATIONS

The Service Providers are indirect wholly-owned subsidiaries of Hong Leong, the ultimate holding company and a substantial shareholder of the Company, and thus they are associates of connected person of LSHK under the Listing Rules. The transactions contemplated under the Master Services Agreements 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 Agreements are 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 2020, LSHK will comply with the relevant Listing Rules as appropriate.

Details of the Master Services Agreements 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 Agreements 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 is a director and a shareholder of Hong Leong and LSHK. He has elected to abstain from voting voluntarily notwithstanding that he is not considered to have material interest in the Master Services Agreements.

GENERAL

LSHK is a holding company and its principal activity is investment holding. The principal activities of LSHK's subsidiaries include manufacturing, trading and processing of edible oil, flour products and detergent 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 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:

Mr. TANG Hong Cheong

Dr. WHANG Sun Tze

Mr. TAN Lim Heng

Mr. TSANG Cho Tai

DEFINITIONS

"Directors"	The board of 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 Kong Subsidiaries”	at any time, (unless otherwise agreed) the subsidiaries of LSHK incorporated, resident or with operation in Hong Kong
“Hong Leong”	Hong Leong Company (Malaysia) Berhad, the ultimate holding company and thus 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
“Offshore Subsidiaries”	at any time, (unless otherwise agreed) the subsidiaries of LSHK excluding the Hong Kong Subsidiaries
“PRC”	the People’s Republic of China
“Renminbi”	the lawful currency of the PRC
“Service Providers”	GGMC and GOMC
“Service Recipients”	LSHK, the Hong Kong Subsidiaries and the Offshore Subsidiaries which are to receive the Services under the Master Services Agreements

By Order of the Board
Cheng Man Ying
Company Secretary

Hong Kong, 7 July 2017