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Continuing Connected Transactions Master Distribution Agreement

On 27 March 2020, MHNZ, an indirect wholly-owned subsidiary of the Company, entered into the Master Distribution Agreement with LSHK, pursuant to which MH Group companies may during its term agree to specific appointments of LSHK Group companies to be the distributor(s) of the Products in the Territory.

LSHK is an indirect subsidiary of HLCM, the ultimate holding company and a substantial shareholder of the Company and thus LSHK is an associate of a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Master Distribution Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As the applicable percentage ratios under the Listing Rules in respect of the annual caps exceed 0.1% but are less than 5%, the Master Distribution Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and other disclosure requirements under Chapter 14A of the Listing Rules but are exempted from the independent shareholders' approval requirement.

THE MASTER DISTRIBUTION AGREEMENT

On 27 March 2020, MHNZ, an indirect wholly-owned subsidiary of the Company, entered into the Master Distribution Agreement with LSHK, pursuant to which MH Group companies may during its term agree to specific appointments of LSHK Group companies to be the distributor(s) of the Products in the Territory. As the distributorship will involve the LSHK Group companies purchasing Products from the MH Group companies from time to time, the Master Distribution Agreement sets out the parameters on which the sale and purchase of Products shall be transacted.

Principal Terms

Date : 27 March 2020

Parties : MHNZ and LSHK

Term : From 27 March 2020 to 30 June 2022 (both dates inclusive)

Pursuant to the Master Distribution Agreement, any of the MH Group companies and the LSHK Group companies may agree to specific appointment(s) by the MH Group company as the principal (the "Principal") of the LSHK Group company as its distributor (the "Distributor") for the Products within the Territory. The specific terms and conditions of such appointment(s) shall be set out in distribution agreement(s) or purchase order(s) to be agreed and executed by the relevant Principal and Distributor from time to time.

Pricing Basis

Pursuant to the Master Distribution Agreement, the selling prices of the Products shall be based on the standard wholesale price list of the Principal from time to time and subject to negotiation between the Principal and the Distributor on an arm-length basis based on normal and reasonable commercial terms and take into account the price which would be offered by the Principal to other independent distributors of similar channels in the Territory as the case may be.

In determining the selling prices of the Products, the MH Group will make reference to comparable transactions with similar scope at the relevant time which would be provided to independent third party distributors. The MH Group will take into account a number of factors including but not limited to (i) price; (ii) payment and credit term; (iii) scope of services; (iv) type of products; and (v) delivery schedule as appropriate, and will benchmark these factors with independent third party distributors so as to ensure that the terms in respect of the sale of Products offered by the MH Group to the LSHK Group are no more favourable than those terms which would be offered to other independent third party distributors of similar channels in the Territory and are fair and reasonable.

Historical Transaction Amounts

On 29 August 2019, MHNZ entered into the Original Distribution Agreement with LS SynaLife in relation to the distribution of the Products by LS SynaLife via certain online channels in the PRC for a period of 12 months up to 30 June 2020. Based on the annual cap of HK\$36 million set by LSHK in its announcement dated 29 August 2019 for the purpose of its compliance of the relevant requirements under the Listing Rules, the transactions under the Original Distribution Agreement are de minimis continuing connected transactions for the Company and are fully exempted from reporting, announcement, annual review and the independent shareholders' approval requirements under the Listing Rules. For the period from 1 July 2019 up to 26 March 2020, the date immediately before the signing of the Master Distribution Agreement, the total amount of Products sold by MHNZ to LS SynaLife pursuant to the Original Distribution Agreement amounted to HK\$8,945,000, the relevant percentage ratios of which fall below the de minimus 0.1% threshold.

Annual Caps

The total amount of sales of Products under the Master Distribution Agreement shall be subject to the following annual caps:

	Annual Caps <i>HK\$ million</i>
During the period from the Commencement Date to 30 June 2020	60
For the year ending 30 June 2021	120
For the year ending 30 June 2022	140

The above annual caps were determined with reference to (i) the historical data of the sales of the Products to LS SynaLife; (ii) the projected increase in demands of the Products in the Territory; and (iii) the expected purchase of the Products by the LSHK Group companies during the term of the Master Distribution Agreement taking into account the potential expansion of distributorship to other channels and market coverage in the Territory.

The Original Distribution Agreement is regarded as an agreement entered into for the purpose of the Master Distribution Agreement. The sales under the Original Distribution Agreement from the Commencement Date onwards shall be taken into account for the purpose of calculating the total amount of the sales of Products by the Principals to the Distributors for monitoring against the relevant annual cap.

INTERNAL CONTROL MEASURES GOVERNING THE MASTER DISTRIBUTION AGREEMENT

The Group has established operating and internal control procedures to ensure that the selling prices and the terms of transactions under the Master Distribution Agreement will be on normal commercial terms or terms that are no more favourable than those terms which would be offered by the MH Group companies to other comparable independent third parties of similar channels in the Territory and that the relevant annual cap is not exceeded:

- (a) To compare on a regular basis the prices and terms of the sale of the Products to the Distributors with the prices and terms of the Products sold by the Principals to that which would be offered to other comparable independent distributors of similar channels in the Territory;
- (b) To perform checking on the transaction amounts to ensure that the actual selling prices of the Products are in accordance with the standard wholesale price list of the relevant Principals and the agreed sales terms pursuant to the Master Distribution Agreement;
- (c) A monthly report will be prepared to check the accumulated selling amounts against the relevant annual cap of the period/financial year. In case the accumulated selling amount is about to reach the relevant annual cap, the Company will seek to revise the annual cap and re-comply with the requirements under Chapter 14A of the Listing Rules as appropriate;
- (d) Details of the transactions conducted under the Master Distribution Agreement would be included in the connected transactions report which would be reviewed by the internal audit department of the Company and tabled for review by the Board Audit and Risk Management Committee of the Company in each of its regular meetings;
- (e) Annual review would be conducted by the independent non-executive directors of the Company pursuant to Rule 14A.55 of the Listing Rules; and
- (f) The Company will also engage its auditors to review the continuing connected transactions conducted under the Master Distribution Agreement annually pursuant to Rule 14A.56 of the Listing Rules.

REASONS FOR AND BENEFITS OF THE MASTER DISTRIBUTION AGREEMENT

MHNZ is the brand owner of “Manuka Health” branded products and a producer and global distributor of New Zealand Manuka honey. MHNZ has maintained comprehensive authenticity and quality testing of the honey, both at raw material and finished product stages, guaranteeing quality, purity and safety.

The LSHK Group is engaged in distribution of products manufactured by its group companies, including food products and has expertise in distributing fast moving consumer goods in the Territory. The appointment of the LSHK Group companies for distribution of Products is in the ordinary course of business of the MH Group and enables the MH Group to leverage on the existing distribution network and expertise of the LSHK Group so as to improve the market penetration and sales performance of the Products in the Territory.

The Directors (including the independent non-executive directors, namely Mr. Roderic N. A. Sage, Mr. David Michael Norman) are of the view that (i) the terms of the Master Distribution Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the MH Group; (ii) the Master Distribution Agreement has been negotiated on an arm's length basis and the terms thereunder (including the pricing basis), are of normal commercial terms which are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole; and (iii) the basis of determining the annual caps is fair and reasonable.

LISTING RULES IMPLICATIONS

LSHK is an indirect subsidiary of HLCM, the ultimate holding company and a substantial shareholder of the Company and thus LSHK is an associate of a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Master Distribution Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As the applicable percentage ratios under the Listing Rules in respect of the annual caps exceed 0.1% but are less than 5%, the Master Distribution Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and other disclosure requirements under Chapter 14A of the Listing Rules but are exempted from the independent shareholders' approval requirement. In the event that the total selling price of the Products would exceed the relevant annual cap for any of the period/financial years, the Company will comply with the Listing Rules as appropriate.

No Director is deemed to have a material interest in the Master Distribution Agreement and that all Directors are entitled to vote pursuant to the Company's Bye-Laws. Mr. Kwek Leng Hai and Mr. Kwek Leng San are shareholders of HLCM. Mr. Kwek Leng Hai, Mr. Tang Hong Cheong and Mr. Lester G. Huang, directors of the Company, are directors of LSHK and hold interests in the shares of LSHK. The aforesaid four Directors have voluntarily elected to abstain from voting on the relevant board resolutions in relation to the approval of the Master Distribution Agreement.

GENERAL

The Company is an investment holding and management company with operations and investments principally located in Asia and Europe. Its subsidiaries and associated companies are primarily involved in principal investment, property development and investment, hospitality and leisure operations and financial services.

MHNZ is a producer and a global distributor of New Zealand Manuka honey and other Manuka honey related products. It manufactures a range of products derived from Manuka honey, including but not limited to, honey, royal jelly and propolis, dietary supplements as well as skin and oral products. Its operations are based in New Zealand.

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.

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, the PRC and Macau.

DEFINITIONS

"Commencement Date"	27 March 2020, the commencement date of the term under the Master Distribution Agreement
"Company"	Guoco Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 53)
"Directors"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong

“HLCM”	Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia, the ultimate holding company and a substantial shareholder of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Leong Group”	HLCM and its subsidiaries from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LSHK”	Lam Soon (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 411) and an indirect subsidiary of HLCM
“LSHK Group”	LSHK and its subsidiaries from time to time
“LS SynaLife”	LS SynaLife Trading Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of LSHK
“Master Distribution Agreement”	the master distribution agreement dated 27 March 2020 entered into between MHNZ and LSHK
“MHNZ”	Manuka Health New Zealand Limited, a company incorporated in New Zealand and an indirect wholly-owned subsidiary of the Company
“MH Group”	MHNZ and its subsidiaries from time to time
“Original Distribution Agreement”	the distribution agreement entered into by LS SynaLife with MHNZ dated 29 August 2019
“PRC”	the People’s Republic of China
“Product(s)”	full range of products of the MH Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Territory”	the PRC and such other jurisdictions as the parties may agree to be included from time to time
“%”	per cent

By Order of the Board
LO Sze Man, Stella
Company Secretary

Hong Kong, 27 March 2020

As at the date of this announcement, the board of Directors comprises Mr. KWEK Leng Hai as Executive Chairman; Mr. TANG Hong Cheong as President & CEO; Mr. KWEK Leng San as Non-executive Director and Mr. Roderic N. A. SAGE, Mr. David Michael NORMAN and Mr. Lester G. HUANG, SBS, J.P. as Independent Non-executive Directors.