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(Incorporated in Bermuda with limited liability)
(Stock Code: 53)

Continuing Connected Transactions – Master Services Agreement

As the 2020 Services Agreements (as defined below) for the provision of management services by the relevant service providers of the Hong Leong Group to the Guoco Group shall expire on 30 June 2023, Guoco entered into the Master Services Agreement (as detailed below) on 30 June 2023 with GGMC for the provision of the Services for three financial years from 1 July 2023 to 30 June 2026.

The Service Provider, GGMC, is a wholly-owned subsidiary of GCAL, the ultimate holding company and a substantial shareholder of Guoco and thus GGMC is an associate of a connected person of Guoco under Chapter 14A of the Listing Rules. Mr. Quek Leng Chan, being a controlling shareholder of GCAL and HLCM, is regarded as a substantial shareholder of Guoco. Subsidiaries under HLCM and GCAL which may become Service Providers under the Master Services Agreement are regarded as associates of connected persons of Guoco under Chapter 14A of the Listing Rules. The transactions contemplated under the Master Services Agreement constitutes continuing connected transactions for Guoco under the Listing Rules.

As the applicable percentage ratios under the Listing Rules in respect of the Annual Cap (as defined below) exceed 0.1% but less than 5%, the Master Services 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.

BACKGROUND

Reference is made to the announcement Guoco issued on 3 July 2020 regarding the master services agreements entered into by Guoco with relevant service providers of the Hong Leong Group for the provision of management services to the Guoco Group (the "2020 Services Agreements"), which constituted continuing connected transactions for Guoco under the Listing Rules. The 2020 Services Agreements expired on 30 June 2023.

THE MASTER SERVICES AGREEMENT

On 30 June 2023, the Master Services Agreement was entered into between Guoco with GGMC for the provision of Services by GGMC to Selected Subsidiaries for a period of three financial years from 1 July 2023 to 30 June 2026.

The Services to be provided under the Master Services Agreement include, among other things:

- (a) Provide strategic management, support and guidance on the Service Recipient's businesses and operations including the formulation of strategies, planning and directions, policies and budgets to drive continuous business growth;
- (b) Oversee the investment management disciplines and financial management disciplines for investments/assets of the Service Recipient;
- (c) Oversee the planning of the Service Recipient's finances and fundings, treasury and risk management, and coordinate, foster and manage banking relationships;
- (d) Oversee key managerial recruitment and retention, performance measurement and management performance incentives, and talent management activities to assure alignment with shareholders' interest and prime value creation;
- (e) Guidance with respect to operating practices and procedures, accounting and other services;
- (f) Provide advice and assistance on material legal matters, formulation of legal-related policies and training and development for the legal function;
- (g) Provide advice and assistance on corporate matters, including corporate proposals, transactions and exercises, corporate governance related matters and employees reward schemes;
- (h) Provide advice and assistance on improvement to secretarial practices, procedures and processes, formulation of secretarial-related policies and training and development of the secretarial function; and
- (i) Provide tax technical and advisory support; guidance on operating policies and guidelines relating to corporate tax management, global tax developments and global tax reporting requirements.

Pursuant to the Master Services Agreement, a Service Recipient or a Service Recipient of a particular group may enter into a separate agreement with the Service Provider based on similar terms as set out in the Master Services Agreement.

Service Fees

The fees payable under the Master Services Agreement comprise:

1. a monthly fee (the "Monthly Fee") as agreed from time to time between such Service Recipient and the Service Provider and is currently agreed to be approximately HK\$1,928,000 per month in total; and
2. an annual fee (the "Annual Fee") equivalent to 3% of the annual profit before tax of such Service Recipient as shown in its audited profit and loss account for the relevant financial year, subject to appropriate adjustment (for example, to avoid double counting of profit), if any ("the Adjusted Annual Profit Before Tax").

The Service Provider and Guoco may from time to time agree to group the Service Recipients either by geographical location, business segment or other criteria and the Annual Fee payable by each of such group(s) shall be calculated on a combined basis determined by aggregating the Adjusted Annual Profit Before Tax of each member of the relevant group (with deduction for losses suffered by any of them). Upon determination of the Annual Fee payable by each of such groups, Guoco shall, in consultation with the Service Provider and relevant Service Recipients, allocate the Annual Fee to each of the Service Recipients within the group on a fair and reasonable basis.

As the Services under the Master Services Agreement is provided on a continuing basis, the Monthly Fee is similar to a fixed monthly retainer fee normally charged by external professional consultants given the corporate support work provided by the Service Provider on an on-going and recurring basis. The Disinterested Directors are of the view that the Services in the integrated manner in which they are delivered are not commonly available and therefore there is no direct market comparable. However, in considering and putting into perspective the fairness and reasonableness of the Monthly Fee, the Disinterested Directors referenced the hypothetical situation of engaging professionals of various disciplines to provide similar Services under the Master Services Agreement. The aggregate of the retainer fees at general market level of such professionals for servicing more than 140 Service Recipients of the Guoco Group covered under the Master Services Agreement would be expected to be in excess of the Monthly Fee. Where any adjustment to the Monthly Fee is proposed by the Service Provider, the Disinterested Directors would adopt similar consideration as aforesaid to determine the fairness and reasonableness of the proposed adjustment.

The Service Provider is actively involved in the formulation of strategies, planning and directions of the Guoco Group's businesses and operations and also overview of the policies, practices and procedures of the Service Recipients from time to time. Similar services provided on such an integrated manner would not be commonly available from third parties. To a certain extent, the Service Provider is regarded as being in a "strategic partnership" with the Service Recipients to achieve business and financial performance such that the risks and benefits derived by the Service Recipients are shared with the Service Provider through the Annual Fee which is charged based on a share of 3% of the Adjusted Annual Profit Before Tax of the Service Recipients. Based on research data comparing the total services fees payable by some listed companies in Hong Kong under their respective services agreements against their applicable consolidated profit before tax ranging from 0.6% to 5.7%, the Annual Fee at a rate of 3% of the profit before tax under the Master Services Agreement is within the market benchmark.

Given the aforesaid, the Disinterested Directors are of the view that the Monthly Fee and the basis of charging the Annual Fee is fair and reasonable, on normal or better commercial terms and no less favourable than the terms from independent third parties for similar services.

ANNUAL CAP

The yearly total fees (the "Total Fees"), being the sum of the Monthly Fee, the Annual Fee and the total amounts of any fees paid or payable by the Guoco Group to any Hong Leong Group company for services of a similar nature as the Services, are subject to an annual cap of HK\$410 million (the "Annual Cap") for each of the three financial years ending 30 June 2026.

The basis of the Annual Cap is determined having regard to the highest Total Fees paid during the five financial years ended 30 June 2022 of approximately HK\$163 million, allowing for the possibility that such Total Fees may increase in the four financial years ending 30 June 2026 at a rate of approximately 38% which is similar to the average absolute annual rate of change of the Total Fees paid during the five financial years ended 30 June 2022. 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, it is considered appropriate to apply the Annual Cap amount to each of the relevant three financial years from 1 July 2023 to 30 June 2026.

The annual cap in respect of the 2020 Services Agreements was HK\$413 million. The total fees paid by the Guoco Group in respect of the 2020 Services Agreements for each of the financial years ended 30 June 2021 and 30 June 2022 were approximately HK\$45 million and HK\$70 million respectively.

INTERNAL CONTROL MEASURES GOVERNING THE MASTER SERVICES AGREEMENT

The Company has established the following internal control procedures to ensure that the continuing connected transactions contemplated under the Master Services Agreement are in accordance with the terms and conditions contained therein, and that the terms and conditions of the Master Services Agreement are on normal or better commercial terms and no less favourable than those from independent third parties for similar services and that the relevant annual cap is not exceeded:

- (a) Annual review will be conducted by the independent non-executive directors of the Company pursuant to Rule 14A.55 of the Listing Rules; and
- (b) The Company will also engage its external auditors to review the continuing connected transactions conducted under the Master Services Agreement annually pursuant to Rule 14A.56 of the Listing Rules.

REASONS FOR AND BENEFITS OF THE MASTER SERVICES AGREEMENT

The Master Services Agreement is in the interests of Guoco as 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. Similar services provided on such an integrated manner would not be commonly available from third parties and their service quality and standard would not be of comparable level to that of the Service Provider given the Service Provider's depth of commercial understanding and involvement in the business affairs of the Guoco Group.

The Directors (including the independent non-executive directors) are of the view that (i) the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Guoco Group; (ii) the terms of the Master Services Agreement (including the charging basis) are of normal or better commercial terms and no less favourable than those from independent third parties for similar services, fair and reasonable and in the interests of Guoco Group and the shareholders of Guoco as a whole; and (iii) the basis of determining the Annual Cap is fair and reasonable.

LISTING RULES IMPLICATIONS

GGMC is a wholly-owned subsidiary of GCAL, the ultimate holding company and a substantial shareholder of Guoco and thus GGMC is an associate of a connected person of Guoco under Chapter 14A of the Listing Rules. Mr. Quek Leng Chan, being a controlling shareholder of GCAL and HLCM, is regarded as a substantial shareholder of Guoco. Subsidiaries under HLCM and GCAL which may become Service Providers under the Master Services Agreement are regarded as associates of connected persons of Guoco under Chapter 14A of the Listing Rules. The transactions contemplated under the Master Services Agreement constitute continuing connected transactions for Guoco under the Listing Rules.

As the applicable percentage ratios under the Listing Rules in respect of the Annual Cap exceed 0.1% but less than 5%, the Master Services 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 Fees for any of the three financial years ending 30 June 2026 would exceed the Annual Cap, Guoco will comply with the relevant Listing Rules as appropriate.

Messrs. Kwek Leng Hai and Kwek Leng San are shareholders of GCAL and HLCM. Mr. Kwek Leng Hai is also a director of GCAL and HLCM. 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 Bye-Laws. Messrs. Kwek Leng Hai and Kwek Leng San have voluntarily elected to abstain from voting on the relevant board resolutions in relation to the approval of the Master Services Agreement.

GENERAL

The Company is an investment holding and management company. Its subsidiaries and associated companies are primarily involved in principal investment, property development and investment, hospitality and leisure operations and financial services, located in Hong Kong, China, Singapore, Malaysia, the United Kingdom and Australasia.

GGMC is principally engaged in the provision of management services to related or subsidiary companies.

GCAL is the ultimate holding company of the Company. The principal activity of GCAL is investment holding.

DEFINITIONS

“Directors”	the director(s) of Guoco
“Disinterested Directors”	Directors excluding Mr. Kwek Leng Hai and Mr. Kwek Leng San who abstained voluntarily from voting in respect of the board resolutions relating to the Master Services Agreement
“GCAL”	GuoLine Capital Assets Limited, a company incorporated in Jersey, Channel Islands with limited liability, the ultimate holding company and a substantial shareholder of Guoco
“GGMC”	GuoLine Group Management Company Pte. Ltd., a company incorporated in Singapore, a direct wholly-owned subsidiary of GCAL
“Guoco” or the “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)
“Guoco Group”	Guoco and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region, the People's Republic of China
“HLCM”	Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia and a member of the Hong Leong Group

“Hong Leong Group”	HLCM and GCAL and their subsidiaries from time to time
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Master Services Agreement”	The Master Services Agreement dated 30 June 2023 entered into by Guoco and GGMC for the provision of Services by the Service Provider to the Service Recipients in the Guoco Group
“Selected Subsidiaries”	at any time (unless otherwise agreed) the subsidiaries of Guoco
“Services”	the management services as listed in the Master Services Agreement to be provided by GGMC to the Services Recipients as required and any other services or variation thereto as may from time to time be agreed between the parties
“Service Provider(s)”	GGMC or other Hong Leong Group company(ies) as may be agreed by the parties from time to time
“Service Recipient(s)”	Guoco and the Selected Subsidiaries which are to receive the Services under the Master Services Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
Stella Lo Sze Man
Company Secretary

Hong Kong, 30 June 2023

As at the date of this announcement, the board of Directors comprises Mr. KWEK Leng Hai as Executive Chairman; Mr. CHEW Seong Aun as Executive Director; Mr. KWEK Leng San as Non-executive Director; Mr. David M. NORMAN, Mr. Lester G. HUANG, SBS, J.P. and Mr. Paul J. BROUGH as Independent Non-executive Directors.