

*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)**

### **SUPPLEMENTAL ANNOUNCEMENT**

#### **CONTINUING CONNECTED TRANSACTIONS DISTRIBUTION AGREEMENT**

Reference is made to the announcement of Lam Soon (Hong Kong) Limited (the “Company”) dated 29 August 2019 (the “Announcement”) in relation to the continuing connected transactions under the distribution agreement entered into by LS SynaLife with MHNZ in relation to the distribution of the Products by LS SynaLife (the “Distribution Agreement”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Company would like to provide further information in relation to the continuing connected transactions contemplated under the Distribution Agreement.

1. Pursuant to the Distribution Agreement, LS SynaLife agrees to distribute the Products derived from New Zealand Manuka honey produced by MHNZ, including but not limited to, Manuka honey, royal jelly, propolis and oral products. MHNZ is the brand owner of “Manuka Health” branded products in the market and pursuant to the Distribution Agreement, LS SynaLife is purchasing the Products directly from the brand owner. MHNZ pioneered methylglyoxal (“MGO”) testing as a precise and reliable method of rating Manuka honey and its Manuka honey is tested to ensure it is genuine premium New Zealand Manuka honey and the MGO grade is clearly identified. MHNZ’s testing also set a new standard by identifying and certifying the level of the propolis compounds that are bioactives in its BIO New Zealand propolis.
2. Pursuant to the Distribution Agreement, the purchase prices of the Products are based on the standard wholesale price list of MHNZ. The payment term is 60 days from the date of shipment. The terms under the Distribution Agreement were determined after arm’s length negotiations between the parties based on the standard wholesale prices and payment terms offered by MHNZ to other distributors of similar channels in the PRC. Due to the uniqueness of the “Manuka Health” branded Products, direct comparisons with the market prices of other honey products would not be meaningful. LS SynaLife has internally compared the purchase prices and the terms offered by MHNZ to other third party distributors and confirmed to the best of their knowledge that the purchase prices of the Products and other terms under the Distribution Agreement are no less favorable to LS SynaLife than those terms offered by MHNZ to other independent third party distributors of similar distribution channels and are comparable to the prevailing commercial terms of distribution of the LSHK Group with other independent trade partners. Thus, the Directors (including the independent non-executive directors) are of the view that the terms of the Distribution Agreement (including, among others, the

purchase prices of the Products and the trading terms) are on normal commercial basis, and are fair and reasonable and in the interest of the Company and its shareholders as a whole.

3. The Company has established operating and internal control procedures to ensure that the purchases of Products from MHNZ are in line with the terms of the Distribution Agreement and no less favorable than terms offered by MHNZ to other comparable independent third parties:-
  - (i) The sales and marketing department of the Company will review quarterly market information as appropriate, including for example, retail selling price of the Products in other similar channels, for comparing with the actual purchase prices of the Products and terms of the transactions under the Distribution Agreement to ensure that they are no less favorable to LS SynaLife than those terms offered by MHNZ to other independent third party distributors of similar distribution channels;
  - (ii) The finance department of the Company monitors every purchase transaction under the Distribution Agreement to ensure that the actual purchase prices of the Products are in accordance with the standard wholesale price list of MHNZ or better, and the accumulated purchase amount would not exceed the annual cap of HK\$36 million (the “Annual Cap”) as stated in the Announcement. The finance department of the Company would inform the management of the Company when the accumulated purchase amount is about to reach the Annual Cap so that the Company will seek to revise the Annual Cap and re-comply with the requirements under Chapter 14A of the Listing Rules as appropriate. Details of the transactions conducted under the 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; and
  - (iii) Annual review would be conducted by the independent non-executive directors of the Company pursuant to Rule 14A.55 of the Listing Rules to ensure the transactions under the Distribution Agreement have been entered into: 1) in the ordinary and usual course of business of the LSHK Group; 2) on normal commercial terms or better; and 3) according to the terms of the Distribution Agreement that are fair and reasonable and in the interests of the shareholders of the Company as a whole. The Company will also engage its auditors pursuant to Rule 14A.56 of the Listing Rules to confirm whether anything has come to their attention that causes them to believe that the continuing connected transactions under the Distribution Agreement: 1) have not been approved by the Directors; 2) were not entered into, in all material respects, in accordance with the Distribution Agreement; and 3) have exceeded the Annual Cap.
4. During the period from 1 July 2019 to 29 August 2019, LS SynaLife has purchased Products from MHNZ but all percentage ratios of the amount of transaction fall below the de minimis threshold under Rule 14A.76 of the Listing Rules. The Distribution Agreement was signed on 29 August 2019 after all detailed terms and conditions were finalized. The Company then published the Announcement on the same day.

The above additional information does not affect other information contained in the Announcement and, the contents of the Announcement remain correct and unchanged.

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

Hong Kong, 23 September 2019

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

*Chairman:*

Mr. KWEK Leng Hai

*Group Managing Director:*

Mr. Joseph LEUNG

*Non-Executive Directors:*

Mr. TANG Hong Cheong

Dr. WHANG Sun Tze

Mr. TAN Lim Heng

*Independent Non-Executive Directors:*

Mr. LO Kai Yiu, Anthony

Mr. Au Chee Ming

Mr. HUANG Lester Garson, SBS, J.P.