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LAM SOON (HONG KONG) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 411)

CONTINUING CONNECTED TRANSACTIONS MASTER DISTRIBUTION AGREEMENT

On 27 March 2020, the Company entered into the Master Distribution Agreement with MHNZ, 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.

MHNZ is an indirect wholly-owned subsidiary of Guoco which in turn is an indirect subsidiary of Hong Leong, the ultimate holding company and a substantial shareholder of the Company and thus MHNZ 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.

BACKGROUND

References are made to the announcements of the Company issued on 29 August 2019 and 23 September 2019 regarding the Original Distribution Agreement entered into by LS SynaLife with MHNZ in relation to the distribution of the Products by LS SynaLife via certain cross-border online channels in the PRC for a period of 12 months up to 30 June 2020.

Riding on the experience of the Original Distribution Agreement, the Company and MHNZ agreed to enter into the Master Distribution Agreement to extend the distributorship to a wider geographic and channel coverage for the distribution of Products of any MH Group companies by the LSHK Group companies in the Territory.

THE MASTER DISTRIBUTION AGREEMENT

On 27 March 2020, the Company entered into the Master Distribution Agreement with MHNZ, 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 the Company

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 purchase 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's 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.

The LSHK Group will also take into account the prevailing commercial terms to ensure that the purchase prices of the Products and other terms in respect of the future transactions under the Master Distribution Agreement are no less favorable to the LSHK Group than those terms offered by the MH Group to other independent third party distributors and are comparable to the prevailing commercial terms of distribution of the LSHK Group with other independent trade partners.

Historical Transaction Amounts

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 purchased by LS SynaLife from MHNZ pursuant to the Original Distribution Agreement amounted to HK\$8,945,000 which does not exceed the annual cap of HK\$36 million as stated in the announcement of the Company dated 29 August 2019.

Annual Caps

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

	Annual Caps (HK\$ million)
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 purchase of the Products from MHNZ; (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 purchases under the Original Distribution Agreement from the Commencement Date onwards shall be taken into account for the purpose of calculating the total amount of purchases of the Products by the Distributors from the Principals for monitoring against the relevant annual cap.

INTERNAL CONTROL MEASURES GOVERNING THE MASTER DISTRIBUTION AGREEMENT

The LSHK Group has established operating and internal control procedures to ensure that the purchase prices and the terms of transactions under the Master Distribution Agreement will be on normal commercial terms or terms that are no less favorable 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 purchase of the Products from the Principals 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 purchase prices of the Products are in accordance with the standard wholesale price list of the relevant Principals and the agreed purchase terms pursuant to the Master Distribution Agreement;
- (c) A monthly report will be prepared to check the accumulated purchase amount against the relevant annual cap of the period/financial year. In case the accumulated purchase 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 a 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. Due to rapid development of LSHK Group’s distribution of the Products, the Directors are of the view that the Original Distribution Agreement may not be able to cater for its future expansion and proposed to enter into a Master Distribution Agreement with MHNZ to set out certain parameters on which sale and purchase of Products to be transacted. The Directors believe that the Master Distribution Agreement would enable the LSHK Group to leverage on its existing distribution network and expertise to further expand its trading and distribution business and enhance earnings potential of the LSHK Group.

The Directors (including the independent non-executive directors, namely Mr. Lo Kai Yiu, Anthony and Ms. Ho Yuk Wai Joan) 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 LSHK 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 LSHK 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

MHNZ is an indirect wholly-owned subsidiary of Guoco which in turn is an indirect subsidiary of Hong Leong, the ultimate holding company and a substantial shareholder of the Company and thus MHNZ 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 purchase 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 articles of association. Mr. Kwek Leng Hai is a director and shareholder of Hong Leong. Mr. Kwek Leng Hai, Mr. Tang Hong Cheong and Mr. Huang Lester Garson are directors of the Company and Guoco. Mr. Kwek and Mr. Tang also hold interests in the shares of Guoco. The aforesaid three 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 a holding company and its principal activity is investment holding. The principal activities of its subsidiaries include manufacturing, trading and processing of edible oil, flour products and detergent products in Hong Kong, the 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.

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.

DEFINITIONS

“Commencement Date”	27 March 2020, the commencement date of the term under the Master Distribution Agreement
“Company”	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)
“Director(s)”	the director(s) of the Company
“Guoco”	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) and an indirect subsidiary of Hong Leong

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Leong”	Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia, the ultimate holding company and a substantial shareholder of the Company
“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
“LSHK Group”	the Company 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 the Company
“Master Distribution Agreement”	the master distribution agreement dated 27 March 2020 entered into between MHNZ and the Company
“MHNZ”	Manuka Health New Zealand Limited, a company incorporated in New Zealand and an indirect wholly-owned subsidiary of Guoco
“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
CHENG Man Ying
Company Secretary

Hong Kong, 27 March 2020

As at the date of this announcement, the Directors of the Company 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. HUANG Lester Garson, SBS, JP

Ms. HO Yuk Wai Joan