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

## **Continuing Connected Transactions – Master Services Agreements**

Guoco entered into the Master Services Agreements on 7 July 2017 for the provision of management services by the Service Providers of the Hong Leong Group to the Guoco Group. The transactions contemplated under the Master Services Agreements constitute continuing connected transactions for Guoco 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, Guoco will comply with the Listing Rules as appropriate.

Details of the Master Services Agreements will be included in Guoco's relevant published annual report and accounts in compliance with the Listing Rules. Guoco 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 Guoco.

### **BACKGROUND**

References are made to the announcement of Guoco issued on 3 July 2014 regarding the master services agreements entered into by Guoco with the Service Providers for the provision of Services (as detailed below) to the Guoco Group (the "Existing Services Agreements"), which constituted continuing connected transactions for Guoco under the Listing Rules. These Existing Services Agreements expired after 30 June 2017.

### **MASTER SERVICES AGREEMENTS**

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

1. Guoco with GGMC for provision of Services (as detailed below) by GGMC to the Overseas Subsidiaries;
2. Guoco with GOMC for provision of Services (as detailed below) by GOMC to Guoco and the Hong Kong Subsidiaries; and
3. Guoco with HLMC for provision of Services (as detailed below) by HLMC to the Malaysian 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 respective Master Services Agreements comprise a monthly fee (the "Monthly Fee") as agreed from time to time between such Service Recipient and the relevant Service Provider (approximately HK\$628,218 per month currently) and an annual fee (the "Annual Fee") equal 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.

Pursuant to the Master Services Agreements, a Service Recipient may (whether for itself or on behalf of its subsidiaries) enter into a secondary agreement with the relevant Service Provider to assume the relevant rights and obligations under the Master Services Agreements.

The total fees paid by the Guoco Group in respect of the Existing Services Agreements for each of the financial years ended 30 June 2015 and 30 June 2016 were approximately HK\$141,520,000 and HK\$156,619,000 respectively.

## **Annual cap**

The yearly total fees (the "Total Fees"), being the sum of the Monthly Fee, the Annual Fee and the total amount 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\$503 million (the "Annual Cap") for each of the three financial years ending 30 June 2020.

The basis of the Annual Cap is determined having regard to the highest Total Fees paid during the five financial years ended 30 June 2016 of HK\$171 million, allowing for the possibility that such Total Fees may increase in the four financial years ending 30 June 2020 at a rate of approximately 48.6% which is similar to the average absolute annual rate of change of the Total Fees paid during the five financial years ended 30 June 2016. 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 2017 to 30 June 2020.

The total fees paid and payable by the Guoco Group in respect of the Existing Services Agreements were subject to an annual cap of HK\$475 million.

## **REASONS FOR AND BENEFITS OF THE MASTER SERVICES AGREEMENTS**

The Master Services Agreements are in the interests of Guoco 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.

The directors of Guoco (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 Guoco Group and on normal commercial terms; (ii) the terms of the Master Services Agreement are considered to be 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**

The Service Providers are direct and 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 Guoco under the Listing Rules. The transactions contemplated under the Master Services Agreements constitute continuing connected transactions for Guoco under the Listing Rules.

Mr. Kwek Leng Hai and Mr. Kwek Leng San are directors and shareholders of Hong Leong and Guoco. Mr. Kwek Leng Hai and Mr. Kwek Leng San have elected to abstain from voting voluntarily notwithstanding that they are not considered to have material interest in the Master Services Agreements.

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 exceed the Annual Cap for any of the three financial years ending 30 June 2020, Guoco will comply with the relevant Listing Rules as appropriate.

Details of the Master Services Agreements will be included in Guoco's relevant published annual report and accounts in compliance with the Listing Rules. Guoco 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 Guoco.

## GENERAL

Guoco is an investment holding and investment management company. The principal activities of its subsidiaries and associated companies encompass principal investment, property development and investment, hospitality and leisure business, banking and financing, insurance, fund management, stockbroking as well as merchant banking.

GGMC is an investment holding company and engaged in the provision of management services. GOMC and HLMC are principally engaged in the provision of management services.

## DEFINITIONS

“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
“Guoco”	Guoco Group Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited (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
“HLMC”	HL Management Co Sdn Bhd, a direct wholly-owned subsidiary of Hong Leong
“Hong Leong”	Hong Leong Company (Malaysia) Berhad, the ultimate holding company and thus a substantial shareholder of Guoco
“Hong Leong Group”	Hong Leong and its subsidiaries from time to time
“Hong Kong Subsidiaries”	at any time (unless otherwise agreed) those subsidiaries of Guoco which are incorporated, resident or having principal place of business in Hong Kong
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Malaysian Subsidiaries”	at any time (unless otherwise agreed) those subsidiaries of Guoco which are incorporated, resident or having principal place of business in Malaysia
“Overseas Subsidiaries”	at any time (unless otherwise agreed) the subsidiaries of Guoco excluding the Hong Kong Subsidiaries and Malaysian Subsidiaries
“Service Providers”	GGMC, GOMC and HLMC

“Service Recipients”

Guoco, the Hong Kong Subsidiaries, the Malaysian Subsidiaries and the Overseas Subsidiaries which are to receive the Services under the Master Services Agreement

By Order of the Board  
**Stella Lo Sze Man**  
Company Secretary

Hong Kong, 7 July 2017

*As at the date of this announcement, the board of directors of Guoco Group Limited comprises Mr. Kwek Leng Hai as Executive Chairman; Mr. Tang Hong Cheong as President & CEO; Mr. Kwek Leng San and Mr. Tan Lim Heng as Non-executive Directors and Mr. Volker Stoeckel, Mr. Roderic N. A. Sage and Mr. David Michael Norman as Independent Non-executive Directors.*