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Continuing Connected Transactions – Master Services Agreements

Guoco entered into the Master Services Agreements on 4 July 2011 for the provision of management services by the Service Providers under 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 ratios under the Listing Rules being less than 5%, the Master Services Agreements are 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 2014, Guoco will comply with Rule 14A.36 of 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 Rules 14A.45 and 14A.46 of the Listing Rules. Guoco will also comply with Rules 14A.37 to 14A.41 of the Listing Rules in relation to the annual review of the transactions entered into pursuant to the Master Services Agreements.

BACKGROUND

References are made to the announcement of Guoco issued on 25 June 2008 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 ("Existing Services Agreements"), which constituted continuing connected transactions for Guoco under the Listing Rules. These Existing Services Agreements expired after 30 June 2011.

MASTER SERVICES AGREEMENTS

Two master services agreements (collectively, the "Master Services Agreements") were entered into by the following parties on 4 July 2011:

1. Guoco with GGMC and GOMC for provision of Services (as detailed below) by GGMC or GOMC to Guoco and/or the Selected Subsidiaries; and
2. 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 of businesses and operations, investment management and financial management disciplines, treasury and risk management, key managerial recruitment and retention, productivity and quality programmes and other operating practices and procedures as well as planning and development of management information system (the "Services").

The Master Services Agreements are for a term of three financial years from 1 July 2011 to 30 June 2014.

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 Guoco or such Service Recipient and the relevant Service Provider and an annual fee (the "Annual Fee") equal to three per cent. 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 (including to avoid double counting of profit), if any.

Pursuant to the Master Services Agreements, a Selected Subsidiary or a Malaysian Subsidiary 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 2009 and 30 June 2010 were approximately HK\$36,580,000 and HK\$94,468,000 respectively.

Annual cap

The 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\$417 million (the "Annual Cap") for each of the three financial years ending 30 June 2014.

The basis of the Annual Cap is determined having regard to the Total Fees paid for the financial year ended 30 June 2010, allowing for the possibility that the Total Fees may increase in the coming four financial years ending 30 June 2014 at a rate of approximately 85% similar to the average absolute annual rate of change of the Total Fees paid for the four financial years ended 30 June 2010 and taking into account possible fluctuations of the Annual Fee which is calculated based on profit before tax for each of the three financial years ending 30 June 2014.

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\$352 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 the basis of determining the Annual Cap is fair and reasonable and that the terms of the Master Services Agreements are fair and reasonable and in the interests of the Guoco Group and the shareholders of Guoco as a whole.

LISTING RULES IMPLICATIONS

The Service Providers are indirect wholly-owned subsidiaries of Hong Leong 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. Quek Leng Chan, the Executive Chairman of Guoco, is deemed a controlling shareholder of Hong Leong and Guoco. He has abstained from voting on the relevant resolutions of the Board in relation to the approval of the Master Service Agreements.

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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, stock and commodity broking, investment advisory, banking and financing, insurance, fund management as well as merchant banking.

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

As at the date of this announcement, the Board comprises Mr. Quek Leng Chan as Executive Chairman; Mr. Kwek Leng Hai as President and CEO; Mr. Tan Lim Heng and Mr. Ding Wai Chuen as executive directors; Mr. Kwek Leng San as non-executive director and Mr. Sat Pal Khattar, Mr. Volker Stoeckel and Mr. Roderic N. A. Sage as independent non-executive directors.

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, an indirect 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
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Malaysian Subsidiaries"	(unless otherwise agreed) all those subsidiaries of Guoco which are from time to time incorporated, resident or having principal place of business in Malaysia
"Selected Subsidiaries"	(unless otherwise agreed) all the subsidiaries of Guoco from time to time excluding the Malaysian Subsidiaries
"Service Providers"	GGMC, GOMC and HLMC
"Service Recipients"	Guoco, the Selected Subsidiaries and the Malaysian Subsidiaries

By Order of the Board
Stella Lo Sze Man
Company Secretary

Hong Kong, 5 July 2011