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MASON GROUP HOLDINGS LIMITED

茂宸集團控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 273)

DISCLOSEABLE TRANSACTION

**DISPOSAL OF 46% OF THE ISSUED SHARES,
AND AGREEMENT TO GRANT OF
PUT AND CALL OPTIONS OVER 29% OF THE ISSUED SHARES,
IN BLEND AND PACK PTY LTD**

THE TRANSACTION

On 8 February 2019, Mason Food agreed to sell the Sale Shares to WHA and agreed to, grant the Call Option to Wattle Health, and to be granted the Put Option by Wattle Health.

IMPLICATION UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Transaction is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

1. INTRODUCTION

On 8 February 2019, Mason Food agreed to sell the Sale Shares to WHA and agreed to grant the Call Option to Wattle Health, and to be granted the Put Option by Wattle Health. The Company will cease to have any interest in the Target Company upon the completion of the disposal of the Option Shares assuming disposal of all Option Shares.

2. THE TRANSACTION

On 8 February 2019, Mason Food entered into the SPA and agreed to enter into the Option Deed. The principal terms of the SPA and the Option Deed are summarised below.

SPA

Date: 8 February 2019

Parties: 1. Mason Food as seller.
2. WHA as buyer.

Subject: Under the SPA, Mason Food agreed to sell and WHA agreed to buy the Sale Shares for an aggregate consideration of A\$47,791,378 (approximately HK\$271,455,027) (“**Purchase Price**”). The consideration was determined after arm’s length negotiations between Mason Food and WHA and will be settled in cash upon completion.

Conditions: The SPA is conditional upon satisfaction of the following conditions, amongst others:

- (a) approval in compliance with ASX Listing Rules and any determination by the Australian Securities Exchange for the acquisition of the Sale Shares, the entry into the Option Deed and the purchase of any Option Shares under the Option Deed;
- (b) receipt of regulatory approvals and clearance required for the acquisition of the Sale Shares by Mason Food and WHA respectively;
- (c) receipt of third party consents to change of control of the Target Company required under certain agreements and contracts to which the Target Company is a party;
- (d) execution of the Option Deed by Mason Food and Wattle Health; and
- (e) the CNCA Accreditation has not been withdrawn.

Completion is conditional on each of the conditions being fulfilled, or waived by Mason Food or WHA (as the case may be), on or before 15 April 2019 or any other date agreed by Mason Food and WHA in writing.

Option Deed

- Date: To be entered into on or about the SPA Completion.
- Parties:
1. Mason Food as grantor of the Call Option.
 2. Wattle Health as grantor of the Put Option.
- Subject: Under the Option Deed, Mason Food will grant the Call Option to Wattle Health and Wattle Health will grant the Put Option to Mason Food. The consideration payable by Mason Food for grant of the Put Option is A\$10 (approximately HK\$56.8).
- Option Expiry and Option Exercise Conditions:
- The Options will expire on the fourth anniversary from the date of the Option Deed and:
- (a) neither Option can be exercised within 24 months from the SPA Completion;
 - (b) an Option can be exercised during the 6-month period before each anniversary of the Option Deed after the 24th month and before the 45th month from the SPA Completion, if the Target Company's EBIT has reached A\$7,500,000 (approximately HK\$42,600,000) in any Financial Year after the SPA Completion; and
 - (c) after the 45th month but before the 48th month from the SPA Completion, each party will have the right to exercise its Option at any time at its discretion,
- except that the Put Option will be deemed exercised automatically 10 Business Days before an Event of Default.
- Option Exercise Price: The aggregate consideration payable for the Option Shares upon the exercise of an Option ("**Option Exercise Price**") will range from approximately A\$39,629,347 (approximately HK\$225,094,691) to approximately A\$86,129,147 (approximately HK\$489,213,555) depending on (i) the timing of the exercise of the Option; and (ii) the financial performance of the Target Company for each of the Financial Years preceding the exercise of the Option and assuming there is no Event of Default.
- The "Option Exercise Price" is the aggregate of the "Base Amount", "Cumulative Fixed Amount" and the "Cumulative EBIT Adjusted Amount". The Option Exercise Price was determined after arm's length negotiation between the parties.
- Base Amount*
- The Base Amount will be A\$30,129,347 (approximately HK\$171,134,691).

Cumulative Fixed Amount

If the Call Option is exercised, the Cumulative Fixed Amount will be A\$9,500,000 (approximately HK\$53,960,000).

If the Put Option is exercised, the Cumulative Fixed Amount will be the amount set forth in Column (3) of Table A below for the corresponding period set forth in Column (1) of Table A during which the Exercise Date falls. For illustration purposes, if the Exercise Date for a Put Option falls on the 28th month after the SPA Completion, the Cumulative Fixed Amount will be A\$5,500,000 (approximately HK\$31,240,000).

Column (1)	Column (2)	Column (3)
Period during which Exercise Date for Put Option falls	Fixed Amount (A\$)	Cumulative Fixed Amount (A\$)
From SPA Completion to the day falling immediately before the first anniversary of the SPA Completion	1,000,000	1,000,000
From (and including) the first anniversary of SPA Completion to the day falling immediately before the second anniversary of the SPA Completion	1,500,000	2,500,000
From (and including) the second anniversary of SPA Completion to the day falling immediately before the third anniversary of the SPA Completion	3,000,000	5,500,000
From (and including) the third anniversary of SPA Completion to the day falling immediately before the fourth anniversary of the SPA Completion	4,000,000	9,500,000

Cumulative EBIT Adjusted Amount

Cumulative EBIT Adjusted Amount is the aggregate of the EBIT Adjusted Amount for all the Financial Years prior to the Exercise Date.

EBIT Adjusted Amount, in respect of each Financial Year prior to the Exercise Date commencing (and including) the Financial Year beginning 1 July 2018, will be the amount set out in Column (2) of Table B below for the corresponding level of EBIT in Column (1) of Table B achieved by the Target Company in such Financial Year minus the amount of the Fixed Amount payable for the corresponding period in Table A above during which such Financial Year falls.

Table B	Column (1)	Column (2)
	Target Company EBIT	EBIT Adjusted Amount (A\$)
	Less than A\$5,000,000	0
	Greater than or equal to A\$5,000,000 and less than A\$7,500,000	6,000,000
	Greater than or equal to A\$7,500,000 and less than A\$10,000,000	9,000,000
	Greater than or equal to A\$10,000,000 and less than A\$12,000,000	11,000,000
	Greater than or equal to A\$12,000,000	14,000,000

For illustration purposes, if the Put Option is exercised immediately prior to the expiry of the Put Option and EBIT in the four Financial Years preceding the Exercise Date is A\$6,000,000, A\$9,000,000, A\$11,000,000 and A\$15,000,000 respectively, the Option Exercise Price will, in aggregate, amount to A\$70,129,347 (approximately HK\$398,334,691), calculated by reference to the following:

- (a) Base Amount of A\$30,129,347; plus
- (b) Cumulative Fixed Amount of A\$9,500,000; plus
- (c) Cumulative EBIT Adjusted Amount of A\$30,500,000
 ((A\$6,000,000 – A\$1,000,000) + (A\$9,000,000 – A\$1,500,000) + (A\$11,000,000 – A\$3,000,000) + (A\$14,000,000 – A\$4,000,000)).

Right of disposal: Subject to Wattle Health’s right of first refusal, Mason Food will have the right under the Option Deed at any time prior to the expiry of the Options to dispose of all or a portion of the Option Shares to any third party and if it does so, the number of Option Shares and the aggregate Option Exercise Price will be adjusted proportionately.

Wattle Health will have a right of first refusal to buy the Option Shares at the price and on the terms offered by a third party buyer.

3. INFORMATION ABOUT THE PARTIES

Information on the Target Company

The Company acquired 75% of the Target Company in 2017. The Target Company, founded in 2007, is principally engaged in the business of blending, packing and distribution of dairy and nutritional formula products in Australia.

The total assets and net profits before and after taxation and extraordinary items of the Target Company for the last two Financial Years were:

	For the year ended 30 June 2017	For the year ended 30 June 2018
Total assets	A\$10,216,776	A\$9,557,098
Profit before taxation	A\$4,489,966	A\$2,888,447
Profit after taxation	A\$3,135,856	A\$2,011,677

The Group expects to recognize on SPA Completion a net gain of approximately HK\$12 million for the disposal of the Sale Shares calculated by reference to the carrying value of the Sale Shares in its accounts and the value of Options based on the exchange rate of A\$1 to HK\$5.68. The Board intends to apply the net proceeds from the Transaction as general working capital.

Information on WHA and Wattle Health

Wattle Health is a public company limited by shares incorporated in Australia and listed on the Australian Securities Exchange. It is principally engaged in developing, sourcing and marketing high quality Australian made consumer food products, currently focusing on infant formula and dried dairy products. Wattle Health is directly holding 5% of the issued capital of the Target Company. WHA is a wholly-owned subsidiary of Wattle Health.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, WHA and Wattle Health are third parties independent of the Company and its connected persons.

Information on Mason Food and the Group

Mason Food is a subsidiary of the Company principally engaged in investment holding.

The Group is a health and wealth solutions service conglomerate. It principally provides comprehensive financial services in Hong Kong, including dealing in securities, commodities broking, provision of securities margin financing, provision of investment and corporate finance advisory services, investment in securities trading, money lending and investment holding. The Group also pursues an “investment business model” by making direct investments in the healthcare sector.

4. REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group is aiming at building a “Health + Wealth” ecosystem with integrated healthcare and financial platforms to provide wealth and health solutions to our clients. There is strong demand in high quality healthcare services in the Asia Pacific region and the Group is actively looking for strategic investment opportunities in the healthcare services sector in the region, including the participation in an investment consortium to acquire controlling interest in Genea Limited, a leading assisted reproductive service and technology player in Australia. The Transaction will benefit the Group by freeing up capital and gearing the Group up for strategic investments in support of the Group’s vision of becoming a world-class conglomerate offering “Health + Wealth” solutions.

With the changing global economic environment, increasing trading barriers between countries and regulatory uncertainties in the food industry, the Directors believe it is prudent to reduce the Group’s exposure in businesses involving cross border trading activities by selling the Sale Shares whilst retaining the possibility of benefiting further on sale of the Option Shares.

The Directors believe Wattle Health will be able to bring in expertise in the consumer nutritional food business and create synergies with and add value to the Target Company after the completion of the Transaction. In addition to acquiring a controlling interest in the Target Company, the Directors understand that Wattle Health is constructing spray dryer facilities in Australia with a special focus in producing organic base milk powder. After the Transaction, the Directors understand that Wattle Health will become a fully vertically integrated Australian organic dairy company with operations and investments across every aspect of Wattle Health’s farming and production supply chain and that Wattle Health is expected to be able to control every step of the production process and the quality of its dairy products. If the Target Company achieves its earnings target during the Option Period, the Group will be able to capture value upside on the Option Shares through the EBIT Adjusted Amount.

The Group also expects to maintain a business relationship with Wattle Health in its consumer nutritional food business.

The Directors consider that the Transaction is on normal commercial terms, fair and reasonable, and are in the interest of the Company and the Shareholders as a whole. No Director had a material interest in the Transaction and no Director was required to abstain from voting on the board resolution to approve the Transaction.

The Target Company will cease to be a subsidiary consolidated in the accounts of the Company on the SPA Completion.

5. IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Transaction is 5% or more but less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

6. DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise:

“A\$”	Australian dollars, the lawful currency of Australia
“Australia”	the Commonwealth of Australia
“Board”	the board of directors of the Company
“Business Day”	a day that is not a Saturday, Sunday, public holiday or a bank holiday in the State of Victoria, Australia
“Call Option”	the option to be granted by Mason Food in the Option Deed to Wattle Health to acquire the Option Shares
“CNCA”	Certification and Accreditation Administration of the PRC or any applicable authorities in the PRC issuing or granting the CNCA Accreditation
“CNCA Accreditation”	an accreditation issued by the CNCA for the production and export of infant formula to the PRC
“Company”	Mason Group Holdings Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the Stock Exchange
“connected person”	the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“EBIT”	the earnings of the Target Company before interest and tax expense, as specified in the audited income statement (including the notes to, and the reports of the directors relating to, that statement) of the Target Company
“Event of Default”	in relation to the Target Company or Wattle Health, certain specified events related to insolvency or the failure to discharge material judgments (being a judgement in excess of A\$250,000) against the Target Company or Wattle Health within 60 days of the judgement being delivered by a court of competent jurisdiction and that failure to discharge is not subject to an appeal or similar challenge by the Target Company or Wattle Health
“Financial Year”	the financial year of the Target Company, ending 30 June of each year

“Exercise Date”	the date on which the exercise notice for the Call Option or Put Option is given
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mason Food”	GL Food Holdings Pte Ltd, a company incorporated in Singapore with limited liability and is a subsidiary of the Company
“Options”	the Put Option and the Call Option
“Option Deed”	the agreement to be entered into between Mason Food and Wattle Health in relation to the Options
“Option Shares”	up to 42,079 ordinary shares of the Target Company, representing 29% of the issued capital of the Target Company
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this announcement
“Put Option”	the option to be granted to Mason Food in the Option Deed by Wattle Health to require it to acquire the Option Shares
“Sale Shares”	66,746 ordinary shares, representing 46% of the issued capital of the Target Company
“SPA”	the agreement dated 8 February 2019 entered into between Mason Food and WHA in relation to the disposal of the Sale Shares
“SPA Completion”	completion of the sale and purchase of the Sale Shares under the SPA
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Blend and Pack Pty Ltd (ACN 124 152 941), a company incorporated in Australia with limited liability
“Transaction”	the disposal of the Sale Shares and the grant of the Call Option and acceptance of the Put Option

“Wattle Health”

Wattle Health Australia Limited (ACN 150 759 363), a public company limited by shares incorporated in Australia and admitted to the official list of the Australian Securities Exchange

“WHA”

Wattle Health Australia Investments Pty Ltd (ACN 629 325 248), a company incorporated in Australia with limited liability

In this announcement, translations of A\$ into HK\$ are based on the exchange rate of A\$1 to HK\$5.68.

By order of the Board
Mason Group Holdings Limited
KO Po Ming
Chairman and Chief Executive Officer

Hong Kong, 8 February 2019

As at the date of this announcement, the Board comprises:

Executive Directors:

Mr. Ko Po Ming (*Chairman and Chief Executive Officer*)

Mr. Chang Tat Joel

Ms. Lui Choi Yiu, Angela

Ms. Fu Yau Ching Shirley

Mr. Cao Lu

Non-executive Director:

Ms. Hui Mei Mei, Carol

Independent Non-executive Directors:

Mr. Tian Ren Can

Ms. Kan Lai Kuen, Alice

Mr. Chen Wai Chung, Edmund

Mr. Wang Cong