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Mason Financial Holdings Limited

民信金控有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 273)

DISCLOSEABLE TRANSACTION ACQUISITION OF 75% OF THE ISSUED CAPITAL OF BLEND AND PACK PTY LTD

On 4 July 2017, Mason Food, the Company, Wattle Health, the Vendors and the Target Company entered into the Agreement in relation to the acquisition of 75% and 5% of the issued capital of the Target Company by Mason Food and Wattle Health respectively.

The Target Company is one of the eight Australian infant formula manufacturers accredited by CNCA to produce infant formula (baby, follow-on and toddler formula) for export to the Chinese market and is one of the major independent infant formula manufacturers in Australia.

As certain of the applicable percentage ratios in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

THE ACQUISITION

On 4 July 2017, Mason Food, the Company, Wattle Health, the Vendors and the Target Company entered into the Agreement in relation to the Acquisition. The principal terms of the Agreement are set out below.

Date: 4 July 2017

Parties:

- i. Mason Food and Wattle Health as Purchasers;
- ii. the Company as guarantor to Mason Food;
- iii. the Vendors; and
- iv. the Target Company.

Subject matter

- i. 108,825 Target Shares to be acquired by Mason Food, representing 75% of the issued share capital of the Target Company.
- ii. 7,255 Target Shares to be acquired by Wattle Health, representing 5% of the issued share capital of the Target Company.

Upon Completion, the Vendors will collectively own 20% of the issued share capital of the Target Company.

Consideration

The aggregate consideration for the acquisition of 80% of the issued capital of the Target Company, calculated on a cash-free and debt-free basis, is AUD80,000,000 (subject to adjustments at Completion and post-Completion), payable by the Purchasers in cash pro-rata to their respective proportion.

Within three business days from the date of the Agreement, the Purchasers will pay a refundable deposit (the “**Deposit**”) of AUD8,000,000 to the vendors (in proportion to their respective interest). The Deposit will be used to settle part of the consideration.

Upon Completion, the Purchasers will pay the balance of the aggregate consideration subject to dollar for dollar adjustments for net debt and working capital of the Target Company based on the estimate prepared in good faith and provided by the Vendors.

Within 90 days (or such later date as the Purchasers and the Vendors may agree in writing) after Completion, the Purchasers will deliver to the Vendors completion accounts of the Target Company, which would be audited by an independent auditor. The consideration paid by the Purchasers on the Completion Date will be adjusted on a dollar for dollar basis based on the net debt and working capital as set out in the audited completion accounts of the Target Company.

Conditions precedent

Completion will take place on the Completion Date or such other date as the parties to the Agreement may agree in writing subject to satisfaction of conditions customary for a transaction of this type, including among others:

- (i) either:
 - a. a notice in writing is issued by or on behalf of the Treasurer of the Commonwealth of Australia stating that there are no objections under the Foreign Acquisitions and Takeovers Act 1975 (Cth) to the proposed Acquisition either unconditionally or on terms reasonably acceptable to the Purchasers; or
 - b. after notice of the proposed Acquisition has been given by the Purchasers under the Foreign Acquisitions and Takeovers Act 1975 (Cth), the Treasurer of the Commonwealth of Australia becomes precluded by passage of time from making an order in respect of the Acquisition, whichever occurs first;

- (ii) completion of satisfactory due diligence by the Purchasers on the Target Company and obtaining any applicable consents or approval;
- (iii) the Target Company's continued holding of a valid accreditation issued by CNCA for the production and export of infant formula to PRC; and
- (iv) the Purchasers obtaining an insurance policy with a reputable insurer insuring certain of the Vendor's warranties and indemnities under the Agreement on terms acceptable to the Purchasers.

The conditions may be waived by the Purchasers in writing.

If Completion does not occur and the Agreement was terminated as a result of a breach by the Purchasers, the Deposit and all accrued interest will vest in the Vendors in their respective proportions.

If Completion does not occur for any other reasons, the Deposit and all accrued interest will be returned to the Purchasers in their respective proportions.

On or before the Long Stop Date, the Purchasers or the Vendors may give written notice to terminate the Agreement. If Completion does not take place within 20 business days of the date of the written notice, the Agreement will terminate and of no further effect. No party will be liable to any other party and each party is released from its obligations except for any antecedent breaches thereof.

INFORMATION ON THE PARTIES

(i) The Group

Mason Food is a subsidiary of the Company. The Group principally provides comprehensive financial services in Hong Kong, including dealing in securities, commodities broking, bullion trading services, provision of securities margin financing, provision of investment and corporate finance advisory services, investment in securities trading, money lending and investment holding. The Group is also principally engaged in the healthcare and mother and child care related business. Capitalising on its existing financial services platform, the Group continues to develop its business into direct investment, provision of wealth management complimenting the securities and fund management business.

(ii) Wattle Health

Wattle Health is a public company limited by shares incorporated in Australia and admitted to the official list of 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.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Wattle Health and its ultimate beneficial owners is a third party independent of the Company and connected persons of the Company.

(iii) the Vendors

The Vendors are all of the existing shareholders of the Target Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendors (including the beneficiaries of the family trust) is a third party independent of the Company and connected persons of the Company.

(iv) the Target Company

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. Details of the principal business of the Target Company are set out in the section headed "REASONS AND BENEFITS OF THE ACQUISITION" below.

REASONS AND BENEFITS OF THE ACQUISITION

The Group principally provides health and wealth solutions in China and Hong Kong, with a strong focus on serving the growing mother-infant-children demographic in China. Through multiple acquisitions and investments, the Group created a large mother-infant-children ecosystem in China and indirectly owns a majority beneficial interest in Aiyongdao Zhuhai Business Chain Limited (Zhuhai AYD), which is the holding company of a specialty retailer in mother-infant-children products in Southern and Eastern China with a regional network of over 1,200 corporate and franchise stores operating under the "愛嬰島" brand name.

The Target Company is one of the eight Australian infant formula manufacturers accredited by CNCA to produce infant formula (baby, follow-on and toddler formula) for export to the Chinese market and is one of the major independent infant formula manufacturers in Australia. The Target Company has a high degree of automation and a capacity to produce 2,400 cans per hour, or approximately 20 million cans per annum. In accordance with the Administrative Measures for Registration of Infant and Young Children Milk Powder Formula Recipes (Administrative Measures) announced in 2016, all foreign infant formula brands exported to China must be registered with China Food and Drug Administration prior to 1 January 2018 and be produced by a CNCA accredited manufacturer, but each CNCA accredited manufacturer can only register up to three brands. CNCA accredited manufacturers are expected to play an increasing important role in the imported foreign infant formula market in China.

Through the Acquisition, the Group also forms a strategic alliance with Wattle Health. Headquartered in Melbourne, Victoria, Australia, Wattle Health develops, sources and markets high quality Australia-made consumer food products focusing on infant formula and dried dairy products, with 27 self-owned product formulations. Wattle Health's primary objective is to be a brand of choice in the Australian domestic markets and secondly take advantage of its Australian product offering to enter export markets. Wattle Health has had its first major commercial sales of its China Inspection and Quarantine registered infant formula product in China. It is also distributing its infant formula in China through Zhuhai AYD's franchise retail outlets.

To summarise, the Acquisition will create vertically integrated supply and distribution value chain of exporting Australian high quality and premium dairy and nutrition products to the Chinese market. The Company sees the Acquisition as forming an integral part of its strategy of being a major producer and distributor of high quality dairy and nutrition produce. The Company is of the view that the investment is in line with the Group's strategy to take advantage of synergistic and complementary direct investment opportunities in the "mother-infant-children" sector and enhance the overall value of the Group.

Having considered the reasons for and the benefits of the Acquisition as mentioned above, the Directors consider that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and that the Acquisition is in the interest of the Company and the Shareholders as a whole.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The business of the Target Company was originally conducted via a trust and the trust structure was changed to the corporate structure of the Target Company on 30 June 2016.

The unaudited revenue and net profit (both before and after tax) of the trust for the financial year ended 30 June 2015 were approximately AUD8,871,000 and AUD1,022,000, respectively and for the year ended 30 June 2016 were approximately AUD17,382,000 and AUD1,094,000, respectively.

The unaudited net liability of the trust as at 30 June 2015 was approximately AUD137,000 and the unaudited net asset of the Target Company as at 30 June 2016 was approximately AUD353,000.

Upon Completion, the assets and liabilities of the Target Company will be consolidated into the accounts of the Group.

LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

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

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| “Acquisition” | the acquisition of 75% of the issued capital of the Target Company by Mason Food |
| “Agreement” | the agreement dated 4 July 2017 entered into between Mason Food, the Company, Wattle Health and the Vendors in relation to the Acquisition |
| “AUD” | Australian dollar, the lawful currency of Australia |

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| “CNCA” | Certification and Accreditation Administration of the People’s Republic of China |
| “Company” | Mason Financial Holdings Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Stock Exchange |
| “Completion” | completion of the Acquisition |
| “Completion Date” | ten Business Days after each of the condition precedents is satisfied or waived |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Listing Rules” | the Rules Governing the Listing of Securities of the Stock Exchange |
| “Long Stop Date” | the 90th day after the date of the Agreement |
| “Mason Food” | GL Food Holdings Pte Ltd, a company incorporated in Singapore with limited liability |
| “percentage ratios” | as defined in the Listing Rules |
| “Purchasers” | Mason Food and Wattle Health |
| “Share(s)” | the ordinary share(s) of the Company |
| “Shareholder(s)” | the holders of the Shares of the Company |
| “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 |
| “Target Shares” | ordinary shares of the Target Company |
| “Vendors” | 8 individuals and one family trust, who together beneficially own 100% of the Target Company |
| “Wattle Health” | Wattle Health Australia Limited, a public company limited by shares incorporated in Australia and admitted to the official list of the Australian Securities Exchange |

“%” per cent

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

By Order of the Board
Mason Financial Holdings Limited
Ko Po Ming
Joint Chairman and Chief Executive Officer

Hong Kong, 4 July 2017

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

Executive Directors:

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

Mr. Chang Tat Joel

Ms. Lui Choi Yiu, Angela

Ms. Fu Yau Ching Shirley

Non-executive Directors:

Mr. Tong Tang, Joseph *(Joint Chairman)*

Ms. Hui Mei Mei, Carol

Independent Non-executive Directors:

Mr. Tian Ren Can

Ms. Kan Lai Kuen, Alice

Mr. Chen Wai Chung Edmund