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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)

SUPPLEMENTAL ANNOUNCEMENT DISCLOSEABLE TRANSACTION AMENDMENT OF AGREEMENT FOR DISPOSAL OF BLEND AND PACK PTY. LTD.

Mason Group Holdings Limited (the “**Company**”) refers to its announcements dated 8 February 2019, 22 February 2019, 12 April 2019 and 8 May 2019 (collectively, the “**Announcements**”) in relation, initially, to the disposal of 46% of the issued shares and agreement to grant the put and call options over 29% of the issued shares in Blend and Pack Pty. Ltd. and subsequently to the disposal of its entire interest in the Target Company. Terms defined in the Announcements are used in this announcement with those defined meanings unless the context requires otherwise.

This announcement provides further information about the Amended SPA and the reasons for certain of its terms, which were determined after arm’s length negotiations between Mason Food and WHA.

VARIATION TO CONSIDERATION

The consideration of US\$55,000,000 (approximately A\$78.1 million or HK\$432 million) for 75% of the issued shares of the Target Company (the “**Revised Consideration**”) was determined with reference to the sum of (i) the consideration of A\$47,791,378 (approximately HK\$264 million) for 46% of the issued shares of the Target Company (the “**Original 46% Purchase Price**”); and (ii) the Base Amount of A\$30,129,347 (approximately HK\$167 million) for the Option Shares (i.e. 29% of the issued shares of the Target Company) under the Option Deed as stated in the Announcements.

Under the original transaction terms and, as disclosed in the Announcements (the “**Original Transaction Terms**”), the aggregate consideration payable for 75% of the Target Company ranged from A\$87,420,725 to A\$133,920,525 (the “**Original Consideration**”). The Original Consideration includes (i) A\$47,791,378 for the sale of 46% of the Target Company; and (ii) the consideration potentially payable for the Option Shares, ranging from approximately A\$39,629,347 to approximately A\$86,129,147, subject to the timing of the exercise of the Option and the financial performance of the Target Company for each of the Financial Year preceding the exercise of the Option. It was thus uncertain that the Group would receive any amount in excess of A\$87,420,725 (being the sum of the Original 46% Purchase Price, the Base Amount and the maximum amount of Cumulative Fixed Amount) under the Original Transaction Terms. The Revised Consideration is approximately 11% to 42% lower than the Original Consideration in A\$ terms. The Executive Directors consider this discount fair and reasonable and in the interest of the Company and its shareholders for reasons that include:

- Under the Original Transaction Terms, the earliest date on which Mason Food could have exercised the Option was after 30 months from the SPA Completion, and Mason Food may or may not have received any EBIT Adjusted Amount which was payable subject to the future financial performance of the Target Company before the exercise of the Option; and
- As disclosed in the Announcements, the Cumulative Fixed Amount payable after the SPA Completion pursuant to the Original Transaction Terms implies a compound interest rate ranging from 5.7% to 7.9% per annum on the Base Amount, depending on the timing of the exercise of the Put Option.

FINANCIAL IMPACT

As stated in the Announcements, the Company expected to recognize on SPA Completion an unaudited disposal gain of approximately HK\$12 million for the disposal calculated by reference to the carrying value of the 46% of the Target Company, the fair value of the remaining 29% of the Target Company and the fair value of the Options. Such estimated amount of disposal gain included a loss on foreign exchange of approximately HK\$40 million based on the exchange rate of A\$1 to HK\$5.68, the reversal of accumulated amount of amortization expenses of approximately HK\$20 million, the gain of the Target Company becoming an associate company of the Company after disposal of approximately HK\$12 million and the net fair value of the Put and Call Options in relation to the Options Shares of approximately HK\$20 million.

Under the terms of Amended SPA, the Company expects to recognize on completion of the transaction an unaudited disposal loss of approximately HK\$26 million for the disposal of its entire 75% stake of the Target Company calculated by reference to the carrying value of all the 75% stake of the Target Company owned by the Company. The estimated loss includes loss on foreign exchange of approximately HK\$51 million based on the exchange rate of A\$1 to HK\$5.53, and the accounting impact of the disposal of the Target Company including the reversal of accumulated amount of amortization expenses of approximately HK\$24 million and other accounting effects.

The Executive Directors consider the Transaction is fair and reasonable and in the interest of the Company and its shareholders despite the fact that the Group will recognize a disposal loss and will not be able to capture the potential, but not guaranteed, value upside on the Option Shares through the EBIT Adjustment Amount (as disclosed in the Announcements) on the following rationale amongst other things:

- The Revised Consideration is approximately the same as that of the aggregate sum of the sale consideration of 46% of the issued shares of the Target Company and the Base Amount for the Option Shares in A\$ terms and the Group will fully recover its original investment costs in A\$ terms;
- Disposal loss is primarily caused by foreign exchange volatility and the Revised Consideration denominated in US\$ will materially reduce the Group's exposure to foreign currency risks associated with A\$ and the potential adverse effects on its financial results and position;
- Accelerated receipt of the Base Amount from disposal of the Option Shares by Mason Food by at least 30 months will provide liquid resources to the Company for immediate use and for the Group's strategic investments in the "Health + Wealth" ecosystem. The Group will receive the entire amount of the Revised Consideration in cash upon completion; and
- The uncertainties attached to the Group receiving upside value on the Option Shares through the EBIT Adjusted Amount were high as the Target Company's performance is closely tied to industry regulatory risks associated with China. The Target Company is yet to obtain approval from State Administration for Market Regulation of the PRC for its applied infant formulas to be marketed in the PRC.

The Executive Directors emphasize that significant challenges remain in the global food industry and believe that a better and more sustainable business model can be created through the Company's strategic investments in the "Health + Wealth" ecosystem.

The Revised Consideration will be settled 100% in cash upon SPA Completion which should be no later than 30 June 2019 or any other date mutually agreed.

In this announcement, "US\$" and "US dollars" refer to dollars of the United States of America and translations of US\$ into HK\$ are based on the exchange rate of US\$1 to HK\$7.85 and translations of A\$ into HK\$ and US\$ are based on the exchange rates of A\$1 to HK\$5.53 and A\$ to US\$0.7044 respectively unless specified otherwise.

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

Hong Kong, 12 June 2019

As at 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