

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

## **MS GROUP HOLDINGS LIMITED**

### **萬成集團股份有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1451)**

## **SUPPLEMENTAL ANNOUNCEMENT DISCLOSEABLE TRANSACTION: ACQUISITION AND SUBSCRIPTION OF AN AGGREGATE OF 40% INTEREST IN THE TARGET COMPANY**

Reference is made to the announcement of the Company dated 19 January 2021 (“**Announcement**”) regarding the subscription and acquisition of 40% of the Membership Interest in BRH2 Plastics, LLC. Unless stated otherwise, capitalised terms used in this announcement have the same meanings as ascribed to them in the Announcement.

The Company would like to provide the following supplemental information regarding the Acquisition and the Subscription.

### **BASIS OF CONSIDERATION**

The Consideration represents a price to book ratio of approximately six times (based on the net asset value of the Target Group as at 31 July 2020). Despite the aforesaid, the Company decided to proceed with the Acquisition and Subscription after having primarily taken into account the following factors:

- to reduce business risks, the management of the Group has been endeavouring to identify suitable acquisition targets for the purpose of diversifying its customer base and products portfolio. The Group and the Target Group are both involved in the plastic products manufacturing industry and the Target Group has the requisite production facilities, skilled labour, technical know-how and internal systems which are suitable for the production of the products and potential products of the Group, therefore it fits the criteria of the Group. It is expected that, through the Acquisition and the Subscription, the Group will be able to diversify (i) its product portfolio, including in particular, certain consumer goods and automotive parts and (ii) its customer base, including, in particular, certain plastic product brands based in the United States through the business connections established by the Target Group. By appointing two directors to the board of the Target Company, it is the intention of the Company to have active management of the Target Group. In long term, it is anticipated that the income stream of the Group could be broadened and the overall competitiveness of the Group in the market could be strengthened;

- from the perspective of the Group, the Target Group will be able to assist in contributing to the overall operation and business of the Group as a whole and the profitability of the Target Group alone was only one of the factors to be considered. Nevertheless, the Target Group successfully turned around from a net loss for the year ended 31 December 2019 to a net profit for the seven months ended 31 July 2020 despite the challenging economic environment and market conditions. Further, the Target Group was able to secure a new major customer in the third quarter of 2020, which was an international enterprise engaged in the design, development, manufacture and distribution of infant and toddler products. It is anticipated that the sales of the Target Group would be enhanced upon receipt of the orders for 4 new products from the said new customer, including powdered formula dispenser, high capacity drying rack, faucet extender and high capacity dishwasher basket. The Group considers the Target Group has further growth potential in view of its existing established operations and customer base, hence the Group intends to grasp the opportunity to invest in the Target Group at this stage. Moreover, the Target Group is expected to benefit from the Group following the Acquisition and the Subscription through the achievement of synergies in terms of operations and customer base;
- the Group compared the enterprise value to sales ratio (“**EV/S ratio**”) of the Target Group represented by the Consideration with that of those companies in the plastic products manufacturing industry with headquarters located in North America, including the United States of America (the “**U.S.**”) and Canada, which are principally engaged in the manufacture of plastic packaging products (which is a major product category of the Target Group) and listed on the stock exchanges in the U.S. or Canada. Based on the searches on Bloomberg terminal and to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, those comparable companies represent an exhaustive list of all major comparables available. The EV/S ratio of the Target Group represented by the Consideration is lower than the average EV/S ratio of the aforementioned comparable companies. This indicates that the Consideration is fair and reasonable to the Group; and
- in general, the Acquisition and the Subscription are for the mid-term and long-term business plans of the Group, rather than short-term investments, for the mutual benefits of the Group and the Target Group. The price to book ratio only reflects the ratio to the financial position of the Target Group at a specific point of time. Given that the Directors consider that the business of the Target Group will be further improved as a result of the securing of new major customer and the synergies created with the Group, it is anticipated that the Target Group will have positive contribution to the business and the results of operation of the Group as a whole in the medium and long run. Therefore, the Group has also considered the EV/S ratio, which reflects financial performance of the Target Group.

In light of the above, the Directors consider the Consideration to be fair and reasonable.

## **OTHER ADDITIONAL INFORMATION**

Mr. Ryan Fernandez is interested in approximately 77.7% equity interest in REF Plastics, LLC. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the minority shareholders of REF Plastics, LLC do not have control over REF Plastics, LLC nor any prior business relationship with the Company and its connected persons.

As at the date of this announcement, the Group has not entered into any product sales or purchase agreement with the Target Group. Nevertheless, depending on the market conditions and the business demands of the Group, the Group does not eliminate the possibility of carrying out product sales or purchase transactions with the Target Group to satisfy the needs of the Group in the future.

By order of the Board  
**MS Group Holdings Limited**  
**Chau Ching**  
*Chairman*

Hong Kong, 28 January 2021

*As at the date of this announcement, the executive directors of the Company are Mr. Chau Ching, Mr. Chung Kwok Keung Peter, Mr. Chung Leonard Shing Chun and Mr. Chau Wai; and the independent non-executive directors of the Company are Mr. Asvaintra Bhanusak, Mr. Seto John Gin Chung and Mr. Yu Hon To David.*