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Super Strong Holdings Limited **宏強控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8262)

SUPPLEMENTAL ANNOUNCEMENT

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 45% ISSUED SHARE CAPITAL OF THE TARGET COMPANY

References are made to the announcements of Super Strong Holdings Limited (the “**Company**”) dated 5 June 2024 (the “**Initial Announcement**”) and 2 August 2024 (the “**Clarification Announcement**”) in relation to the acquisition of 45% of the issued share capital of Expert Lead Holdings Limited. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Initial Announcement and the Clarification Announcement.

The Company wishes to provide the Shareholders and potential investors of the Company with the following additional information regarding the Valuation and the Acquisition.

KEY QUANTITATIVE INPUTS OF THE VALUATION

The key quantitative inputs used by Harvest Professional Company Limited, being the independent valuer engaged by the Company (the “**Valuer**”) for the Valuation, in arriving at the fair value of the 45% equity interest of Soar Construction amounting to HK\$4,700,000 as at 31 March 2024 based on the market approach in the Valuation are summarised as follows:

Selection of the pricing multiples

In the Valuation, the guideline public company method under market approach has been adopted by the Valuer, which has taken into consideration various commonly-used valuation multiples, including the enterprise value to earnings before interest and tax (“**EV/EBIT**”) multiple, the enterprise value to sales (“**EV/Sales**”) multiple, the price to earnings (“**P/E**”) multiple, the price to sales (“**P/S**”) multiple, and the price to book value (“**P/B**”) multiple.

The P/B multiple was not adopted by the Valuer as the operation of Soar Construction was not considered asset-intensive in nature. The EV/EBIT multiple and the P/E multiple were not adopted by the Valuer as most of the Comparable Companies (as defined below) suffered loss-making or declined in profit in the financial years of 2022 and 2023 due to the recent Hong Kong real estate market downturn. The adoption of such earning multiples may overestimate the value of Soar Construction.

The EV/Sales multiple is preferred to the P/S multiple as it takes into account the capital structure of the companies. To derive the fair value of Soar Construction, the Valuer has adopted the EV/Sales multiple, which expresses the price that investors are willing to pay for a company's revenue.

Selection basis of the Comparable Companies

By using the public data available (such as Bloomberg), the Valuer has identified 10 publicly listed companies that were considered to be comparable to Soar Construction (the “**Comparable Companies**”), which were selected with reference to the following selection criteria: (i) the companies have over 50% revenue contributed from the provision of the interior design, fitting out and decoration services mainly in Hong Kong; (ii) the companies are publicly listed on major stock exchanges; and (iii) sufficiency of information (such as listing and operating histories and availability of the financial information to the public).

After taking into consideration the risk premium required by equity investor for size difference and the market capitalisation-to-invested capital ratio, the average of the EV/Sales multiple of the Comparable Companies (excluding two Comparable Companies with negative enterprise value and an outlier with EV/Sales multiple of 10.44 times) of 1.12 times was adopted.

Adjustment(s) adopted

The lack of marketability is a downward adjustment to the value of an investment to reflect its reduced level of marketability. In the Valuation, a discount for lack of marketability of 15.7% was adopted in arriving at the fair value of Soar Construction as of 31 March 2024. The marketability discount is determined with reference to the result of the restricted stock study published in “Stout Restricted Stock Study 2023” by Stout Risius Ross, LLC.

CONDITIONS PRECEDENT AND COMPLETION

As clarified and disclosed in the Clarification Announcement, pursuant to the Agreement, Completion shall be conditional upon and subject to satisfaction (or waiver, if applicable) of conditions (i) to (iv) on or before the Long Stop Date of 30 June 2024 or such other date as the Parties may agree in writing. As at the date of the Initial Announcement, only condition (ii) under the Agreement had been fulfilled. Conditions (i), (iii) and (iv) thereunder had been satisfied on 4 July 2024 on which Completion took place. For the avoidance of doubt, none of the conditions had been waived by the Company.

Despite the extension of the Long Stop Date from 30 June 2024 (as initially stipulated in the Agreement) to 31 July 2024 as agreed between the Parties through mutual communication, no supplemental agreement modifying the terms and conditions of the Agreement has been entered into between the Parties.

INCIDENT OF CLARIFICATION

Although Completion is subject to conditions precedent pursuant to the Agreement, it was the intention of the Company to complete the Acquisition simultaneously upon signing of the Agreement. With such intention and on the understanding that the Initial Consideration shall be settled upon Completion pursuant to the Agreement, it was stated in the Initial Announcement that Completion took place simultaneously upon signing of the Agreement and the Initial Consideration had been settled as at the date of the Initial Announcement.

However, due to miscommunication between the finance team and the management of the Company on the status of the due diligence review and investigation on the Target Group, Completion did not occur as initially contemplated and the Initial Consideration had not been settled on the date of the Initial Announcement. The finance team continued to communicate with the Vendor on the due diligence clearance for progressing to Completion on 4 July 2024 without reporting to the management of the Company. Such incident was later discovered by the management of the Company during the course of reviewing the preliminary consolidated management account of the Group for the year ended 30 June 2024. Having been made aware of the above incident on 1 August 2024, the Board took the immediate rectification actions by publishing the Clarification Announcement on 2 August 2024 and strengthening the internal control of the Group (as further discussed below).

ENHANCED INTERNAL CONTROL OF THE GROUP

The Company deeply regrets on the above inadvertent and standalone incident. To prevent recurrence of similar incident in the future, the Company has enhanced operational and reporting procedures for all notifiable and/or connected transaction(s) by:

- (i) establishing the written policy for the documentation requirements and procedures on handling any potential transaction(s);
- (ii) establishing two-tier review mechanism with relevant pre-requisite supporting documents and/or written evidence, including but not limited to the due diligence completion report (if applicable), to be reviewed by one of the management of the Company designated prior to the approval of the Board on relevant potential transaction(s); and
- (iii) providing additional internal briefing(s) to the personnel involved in this process, on an ongoing basis, to ensure their understanding, compliance and communications on the handling procedures.

In addition, for any potential transaction(s) which may constitute notifiable and/or connected transaction(s), the Company will consult and/or engage external adviser(s) to ensure the accuracy and completeness of the relevant disclosures in compliance with the relevant requirements under the GEM Listing Rules.

By Order of the Board
Super Strong Holdings Limited
Kwok Tung Keung
Chairman and executive Director

Hong Kong, 21 August 2024

As at the date of this announcement, the executive Directors are Mr. Kwok Tung Keung (Chairman), Mr. Tam Brown Lun, Ms. Wong Hui Yu and Ms. Kwok Pui Sze; and the independent non-executive Directors are Mr. Cheng Wai Man Clement, Ms. Fung Yuk Yiu and Mr. Leung Tze Wai.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the Stock Exchange website at www.hkexnews.hk for at least seven days from the date of its publication and on the website of the Company at www.wmcl.com.hk.