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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)

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO RENEWAL OF TENANCY AGREEMENTS

Reference is made to the section headed “Connected transactions” of the prospectus of the Company dated 21 May 2018 in relation to the 2017 Lease Agreements.

THE 2020 LEASE AGREEMENTS

The Group has been leasing certain premises from Kwong Fai and Penghui, which are connected persons of the Company, pursuant to the 2017 Lease Agreements for its office in Hong Kong and its Production Base in the PRC. In respect of the 2017 Lease Agreements, as (i) the term of the lease agreement relating to the rental of the Hong Kong office of the Company was fixed up to 31 May 2020; (ii) the term of each of the lease agreements relating to the rental of the Production Base was fixed up to 31 December 2020; and (iii) the Group intends to expand the floor area leased for the Production Base, therefore, on 1 June 2020, the Group has entered into the 2020 Lease Agreements with Kwong Fai and Penghui to renew the 2017 Lease Agreements for a term of two (2) years commencing from 1 June 2020 and ending on 31 May 2022 (both days inclusive) for the ongoing business operations and development of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, as (i) Kwong Fai is indirectly wholly-owned by a company jointly owned by Mr. Peter Chung and his spouse; (ii) Penghui is wholly-owned by a company which is owned as to 50% by Mr. Peter Chung and as to 50% by Mr. C Chau respectively; and (iii) both of Mr. Peter Chung and Mr. C Chau are Controlling Shareholders of the Company and executive Directors, therefore, both of Kwong Fai and Penghui are connected persons of the Company and the transactions contemplated under the 2020 Lease Agreements constitute connected transactions of the Company under the Listing Rules.

In accordance with HKFRS 16 applicable to the Company, the rental transactions contemplated under the 2020 Lease Agreements will be recognised as acquisitions of right-of-use assets which will constitute a one-off connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the rental transactions contemplated under the 2020 Lease Agreements are aggregated for the purpose of the applicable size tests. The aggregate value of the right-of-use assets to be recognised under the 2020 Lease Agreements is approximately HK\$7,406,333. As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the rental transactions (on an aggregated basis) contemplated under the 2020 Lease Agreements based on the aggregated value of the right-of-use assets recognised by the Group pursuant to HKFRS 16 exceeds 5% but is less than 25% and the total right-of-use assets is less than HK\$10,000,000, the rental transactions (on an aggregated basis) contemplated under the 2020 Lease Agreements constitutes (i) a discloseable transaction of the Company that is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction of the Company that is subject to the reporting and announcement requirements but is exempt from circular (including independent financial advice) and independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

INTRODUCTION

Reference is made to the section headed “Connected transactions” of the prospectus of the Company dated 21 May 2018 in relation to, among other matters, the 2017 Lease Agreements. The Group has entered into the 2020 Lease Agreements to renew the 2017 Lease Agreements for a term of two (2) years commencing from 1 June 2020 and ending on 31 May 2022 (both days inclusive).

2020 LEASE AGREEMENTS

On 1 June 2017, Main Success entered into a tenancy agreement with Kwong Fai, pursuant to which Kwong Fai as landlord agreed to lease to Main Success as tenant the premises situated at Room 907, 9/F., Enterprise Square Tower 1, 9 Sheung Yuet Road, Kowloon Bay, Hong Kong for use as the office of the Company in Hong Kong for a term of three years commencing from 1 June 2017 and ending on 31 May 2020 at an agreed monthly rent of HK\$50,000 (excluding government rates and management fees).

On 1 April 2017 and 6 March 2018, Penghui as lessor and Wancheng Plastic as lessee entered into a lease agreement and a supplemental agreement, respectively, for the leasing of the Production Base with actual gross floor area of 34,450.51 sq.m. for a term of five years commencing from 1 April 2017 and ending on 31 March 2022 at (i) an agreed monthly rent of RMB172,252.55 for the period between 1 April 2017 and 31 December 2020; and (ii) a monthly rent to be calculated based on the then prevailing market rate and to be confirmed in writing for the period between 1 January 2021 and 31 March 2022.

On 1 April 2017 and 6 March 2018, Penghui as lessor and Anyu Baby as lessee entered into a lease agreement and a supplemental agreement, respectively, for the leasing of the Production Base with a total gross floor area of 3,149.79 sq.m. for a term of five years commencing from 1 April 2017 and ending on 31 March 2022 at (i) an agreed monthly rent of RMB15,748.95 for the period between 1

April 2017 and 31 December 2020 and; (ii) a monthly rent to be calculated in accordance with the then prevailing market rate and to be confirmed in writing for the period between 1 January 2021 and 31 March 2022.

In respect of the 2017 Lease Agreements, as (i) the term of the lease agreement relating to the rental of the Hong Kong office of the Company was fixed up to 31 May 2020; (ii) the term of each of the lease agreements relating to the rental of the Production Base was fixed up to 31 December 2020; and (iii) the Group intends to expand the floor area leased for the Production Base, therefore, on 1 June 2020, the Group has entered into the 2020 Lease Agreements with Kwong Fai and Penghui to renew the 2017 Lease Agreements for a term of two (2) years commencing from 1 June 2020 and ending on 31 May 2022 (both days inclusive) for the ongoing business operations and development of the Group. Principal terms of the 2020 Lease Agreements are set out below:

Parties to the relevant 2020 Lease Agreements				Approximate Gross Floor Area	Monthly Rental	Use
	Landlord	Tenant	Premises			
1.	Kwong Fai	Main Success	Room 907, 9/F., Enterprise Square Tower 1, 9 Sheung Yuet Road, Kowloon Bay, Hong Kong	2,113 sq.ft.	HK\$63,000.00 ^{Note}	Head office
2.	Penghui	Wancheng Plastic	Penghui Industries Area, Guandu Economy Development Test Zone, Wengcheng Town, Wengyuan County, Shaoguan City, Guangdong, PRC	38,596 sq.m.	RMB234,263.47 (equivalent to approximately HK\$254,639.74)	Production Base
3.	Penghui	Anyu Baby	Penghui Industries Area, Guandu Economy Development Test Zone, Wengcheng Town, Wengyuan County, Shaoguan City, Guangdong, PRC	3,150 sq.m.	RMB21,418.57 (equivalent to approximately HK\$23,281.56)	Production Base

Note: Exclusive of rates, government rent, management charges and other outgoings.

Basis for determination of the rentals

The terms of the 2020 Lease Agreements have been agreed by the parties after arm's length negotiations and are on normal commercial terms. The monthly rental for each of the 2020 Lease Agreements was determined based on the fair rent value assessed by an independent valuer, which is in line with the prevailing market rent of other premises with conditions comparable to those under the 2020 Lease Agreements.

The aggregate value of the rental payable by the Company under the 2020 Lease Agreements for the two-year period is approximately HK\$8,182,111, which is expected to be financed by the internal resources of the Group. The aggregated value of the right-of-use assets to be recognised by the Company is approximately HK\$7,406,333.

REASONS FOR, AND BENEFITS OF, ENTERING INTO THE 2020 LEASE AGREEMENTS

The Group has been leasing the relevant premises as office and Production Base under the 2017 Lease Agreements. The Directors are of the view that it is beneficial for the Group to renew the tenancies in view of the location of such premises being suitable to conduct business of the kind for the Group and the saving of relocation costs. Following a recent review of the business strategy and development of the Group, the Company has been contemplating to rent a larger area of the Production Base under the 2017 Lease Agreements to enhance product development capabilities, expand product varieties, enrich product profile and build brand image, thereby increasing the market share of the Group. The entering into of the 2020 Lease Agreements is in line with the Group's operational and business needs.

In addition, the Directors (including the independent non-executive Directors) considered that the rental transactions contemplated under the 2020 Lease Agreements have been entered into in the ordinary course of the Group's business on normal commercial terms, and the terms of the 2020 Lease Agreements (including the rental) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES TO THE 2020 LEASE AGREEMENTS

The Company was incorporated in the Cayman Islands with limited liability. The Group is engaged in (i) the original equipment manufacturing business, being the production and sales of plastic bottles and cups for infants and toddlers and plastic sports bottles on an original equipment manufacturing basis, predominately targeting the overseas markets; and (ii) the Yo Yo Monkey business, being the production and sales of infant and toddler products under the "Yo Yo Monkey (優優馬騮)" brand primarily in the PRC market.

Main Success is an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability. It is principally engaged in the manufacturing of plastic products.

Wancheng Plastic is an indirect wholly-owned subsidiary of the Company established in the PRC with limited liability. The business scope of Wancheng Plastic includes the establishment of research and development organisations (without separate legal entity), as well as research and development, design,

production and sales of toys, toddler's products, daily plastic hardware, packaging products, coloured paper boxes, paper boxes and thermoforming products; and printing of packaging products, plastic films, coloured paper boxes, paper boxes and thermoforming products.

Anyu Baby is an indirect wholly-owned subsidiary of the Company established in the PRC with limited liability. The business scope of Anyu Baby includes design, production and sales of plastics, metal hardware, toys, baby and toddler's products, daily necessities and digital thermometer.

Kwong Fai is a limited liability company incorporated in Hong Kong which is principally engaged in property holding. It is indirectly wholly-owned by Century Project Inc., a company jointly owned by Mr. Peter Chung and his spouse.

Penghui is a limited liability company established in the PRC and its business scope includes investing in and the development of industrial factories and ancillary facilities, as well as the provision of leasing and management services at Xinjiang Town, Wengyuan County (翁源縣新江鎮), the PRC. It is wholly-owned by Sharp Success, which is in turn owned as to 50% by Mr. Peter Chung and as to 50% by Mr. C Chau respectively. Sharp Success is a limited liability company incorporated in Hong Kong which is principally engaged in letting of motor vehicle permit and investments holding.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, L.V.E.P. Holdings and Ching Wai Holdings held 75,000,000 Shares and 75,000,000 Shares, respectively, representing 37.50% and 37.50%, respectively, of the aggregate number of Shares in issue. L.V.E.P. Holdings is wholly and beneficially owned by Mr. Peter Chung, an executive Director. Ching Wai Holdings is wholly and beneficially owned by Mr. C Chau, an executive Director. Mr. Peter Chung and Mr. C Chau are therefore a Controlling Shareholder and a connected person of the Company for the purposes of the Listing Rules. Since the relevant entities as landlords under the 2020 Lease Agreements are controlled by the connected persons of the Company, the relevant entities as landlords under the 2020 Lease Agreements are connected persons of the Company. The rental transactions contemplated under the 2020 Lease Agreements therefore constitute connected transactions of the Company.

In accordance with HKFRS 16 "Leases", the Group will recognise the value of the right-of-use assets in its consolidated statement of financial position in connection with the leasing of the premises under the 2020 Lease Agreements. Accordingly, the rental transactions under the 2020 Lease Agreements will be regarded as acquisitions of assets by the Group under the respective definition of "transaction" as set out in Chapter 14 and Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the 2020 Lease Agreements are aggregated for the purpose of the applicable size tests. The aggregate value of the right-of-use assets to be recognised under the 2020 Lease Agreements is approximately HK\$7,406,333. As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the rental transactions (on an aggregated basis) under the 2020 Lease Agreements based on the aggregated value of the right-of-use assets recognised by the Group pursuant to HKFRS 16 exceeds 5% and is less than

25% and the total right-of-use assets is less than HK\$10,000,000, the rental transactions (on an aggregated basis) under the 2020 Lease Agreements constitutes (i) a discloseable transaction of the Company that is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction of the Company that is subject to the reporting and announcement requirements but is exempt from circular (including independent financial advice) and independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

By virtue of (i) Mr. Peter Chung's interest in Kwong Fai, Penghui and Sharp Success; (ii) Mr. C Chau's interest in Penghui and Sharp Success; (iii) Mr. Leonard Chung, an executive Director and the son of Mr. Peter Chung; and (iv) Mr. W Chau, an executive Director and the son of Mr. C Chau, Mr. Peter Chung, Mr. Leonard Chung, Mr. C Chau and Mr. W Chau are considered to have a material interest in the 2020 Lease Agreements, they have therefore abstained from voting on the resolutions of the Board relating to the 2020 Lease Agreements and the transactions contemplated thereunder.

Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the 2020 Lease Agreements and was required to abstain from voting on the relevant Board resolutions approving the 2020 Lease Agreements and the transactions contemplated thereunder.

DEFINITIONS

In this announcement, unless otherwise defined, terms used herein shall have the following meanings:

“2017 Lease Agreements”	(i) the tenancy agreement entered into between Kwong Fai and Main Success dated 1 June 2017 in respect of the premises used as the Company's Hong Kong office; and (ii) the lease agreements entered into between Penghui and Wancheng Plastic and between Penghui and Anyu Baby each dated 1 April 2017 in respect of the premises used as the Production Base, respectively
“2020 Lease Agreements”	(i) the tenancy agreement entered into between Kwong Fai and Main Success dated 1 June 2020 in respect of the premises used as the Company's Hong Kong office; and (ii) the lease agreements entered into between Penghui and Wancheng Plastic and between Penghui and Anyu Baby each dated 1 June 2020 in respect of the premises used as the Production Base, respectively
“Anyu Baby”	Shaoguan Anyu Baby Products Company Limited* (韶關安裕嬰童用品有限公司), a limited liability company established in the PRC on 17 June 2013 and an indirectly wholly owned subsidiary of the Company
“Board”	the board of Directors
“BVI”	the British Virgin Islands

“Ching Wai Holdings”	Ching Wai Holdings Limited, a limited liability company incorporated in the BVI on 9 March 2017 and wholly owned by Mr. C Chau
“Company”	MS Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 1451)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Kwong Fai”	Kwong Fai Trading Limited, a limited liability company incorporated in Hong Kong on 26 March 1991, the shareholding interest of which is indirectly wholly-owned by Century Project Inc., a company jointly owned by Mr. Peter Chung and his spouse
“L.V.E.P. Holdings”	L.V.E.P. Holdings Limited, a limited liability company incorporated in the BVI on 9 March 2017 and wholly owned by Mr. Peter Chung
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified and supplemented from time to time
“Main Success”	Main Success Industrial Limited (萬成實業有限公司), a limited liability company incorporated in Hong Kong on 6 March 2007 and an indirectly wholly-owned subsidiary of the Company
“Mr. C Chau”	Mr. Chau Ching (周青), one of the Controlling Shareholders of the Company and an executive Director
“Mr. W Chau”	Mr. Chau Wai (周瑋), the son of Mr. C Chau and an executive Director
“Mr. Leonard Chung”	Mr. Chung Leonard Shing Chun (鍾丞晉), the son of Mr. Peter Chung and an executive Director

“Mr. Peter Chung”	Mr. Chung Kwok Keung Peter (鍾國強), one of the Controlling Shareholders of the Company and an executive Director
“Penghui”	Penghui Qiye (Wengyuan) Company Limited* (鵬輝企業(翁源)有限公司), an entity established in the PRC on 1 August 2005, the equity interest of which is wholly owned by Sharp Success, a connected person of the Company
“PRC”	The People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Production Base”	the production plant of the Group situated in the Wengyuan County, Shaoguan City, Guangdong Province, the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Sharp Success”	Sharp Success Enterprises Limited (鵬輝企業有限公司), a limited liability company incorporated in Hong Kong, the shareholding interest of which is owned as to 50% by Mr. Peter Chung and as to 50% by Mr. C Chau respectively
“sq.ft.”	square feet
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

“Wancheng Plastic”

Wengyuanxian Wancheng Plastic Products Company Limited* (翁源縣萬成塑膠制品有限公司), a limited liability company established in the PRC on 20 April 2007 and an indirectly wholly owned subsidiary of the Company

“%”

per cent.

* *The English translations of Chinese names or words in this announcement, where indicated, are included for information purposes only, and should not be regarded as the official English translations of such Chinese names or words.*

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

Hong Kong, 1 June 2020

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

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.00 to HK\$1.09. This exchange rate is adopted for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rate at all.