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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 announcement of the Company dated 1 June 2020 in relation to the 2020 Lease Agreements.

THE 2022 LEASE AGREEMENTS

The Group has been leasing the Premises (being certain premises for the office in Hong Kong and the Production Base in the PRC) from Kwong Fai and Penghui pursuant to the 2020 Lease Agreements. The 2020 Lease Agreements will expire on 31 May 2022 and the Group intends to continue to lease the Premises for its ongoing business operations, therefore the Group entered into the 2022 Lease Agreements with Kwong Fai and Penghui on 30 May 2022 to renew the 2020 Lease Agreements for a term commencing from 1 June 2022 and ending on 31 May 2024 (both days inclusive).

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, (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; and (iii) both Mr. Peter Chung and Mr. C Chau are Controlling Shareholders and executive Directors, therefore Kwong Fai and Penghui are connected persons of the Company and the transactions contemplated under the 2022 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 2022 Lease Agreements are recognised as acquisitions of right-of-use assets which constitute 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 2022 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 2022 Lease Agreements is approximately HK\$8,630,000. 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 2022 Lease Agreements based on the aggregate 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 2022 Lease Agreements constitutes (i) a discloseable transaction of the Company that is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction of the Company that is subject to the notification 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 announcement of the Company dated 1 June 2020 in relation to the 2020 Lease Agreements.

The Group has been leasing the Premises (being certain premises for the office in Hong Kong and the Production Base in the PRC) from Kwong Fai and Penghui pursuant to the 2020 Lease Agreements. The 2020 Lease Agreements will expire on 31 May 2022 and the Group intends to continue to lease the Premises for its ongoing business operations, therefore the Group entered into the 2022 Lease Agreements with Kwong Fai and Penghui on 30 May 2022 to renew the 2020 Lease Agreements for a term commencing from 1 June 2022 and ending on 31 May 2024 (both days inclusive).

2022 LEASE AGREEMENTS

On 30 May 2022, Main Success (as lessee) and Kwong Fai (as lessor) entered into a tenancy agreement, pursuant to which Kwong Fai agreed to lease to Main Success the premises situated at Room 907, 9/F., Enterprise Square Tower 1, 9 Sheung Yuet Road, Kowloon Bay, Hong Kong with gross floor area of approximately 2,113 sq.ft. for use as the office of the Company in Hong Kong for the period commencing from 1 June 2022 and ending on 31 May 2024 (both days inclusive) at an agreed monthly rent of HK\$50,000 (excluding government rates and management fees).

On 30 May 2022, Wancheng Plastic (as lessee) and Penghui (as lessor) entered into a lease agreement, pursuant to which Penghui agreed to lease to Wancheng Plastic certain premises situated at Penghui Industries Area, Guandu Economy Development Test Zone, Wengcheng Town, Wengyuan County, Shaoguan City, Guangdong Province, the PRC with gross floor area of approximately 38,610 sq.m. for use as part of the Production Base for the period commencing from 1 June 2022 and ending on 31 May 2024 (both days inclusive) at an agreed monthly rent of RMB281,851.47 (equivalent to approximately HK\$329,963.51).

On 30 May 2022, Anyu Baby (as lessee) and Penghui (as lessor) entered into a lease agreement, pursuant to which Penghui agreed to lease to Anyu Baby certain premises situated at Penghui Industries Area, Guandu Economy Development Test Zone, Wengcheng Town, Wengyuan County, Shaoguan City, Guangdong Province, the PRC with gross floor area of approximately 3,150 sq.m. for use as part of the Production Base for the period commencing from 1 June 2022 and ending on 31 May 2024 (both days inclusive) at an agreed monthly rent of RMB22,993.47 (equivalent to approximately HK\$26,918.45).

The details of the 2022 Lease Agreements are summarised as below:

| Parties to the relevant 2022 Lease Agreements | | | Premises | Approximate Gross Floor Area | Monthly Rental | Use |
|--|-----------|---------------------|---|---------------------------------|--|-----------------|
| Landlord | Tenant | | | | | |
| 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\$50,000.00 ^{Note} | Head office |
| 2. | Penghui | Wancheng Plastic | Penghui Industries Area, Guandu Economy Development Test Zone, Wengcheng Town, Wengyuan County, Shaoguan City, Guangdong Province, the PRC | 38,610 sq.m. | <i>Including VAT</i> RMB281,851.47 (equivalent to approximately HK\$329,963.51) <i>Excluding VAT</i> RMB258,579.33 (equivalent to approximately HK\$302,718.82) | Production Base |
| 3. | Penghui | Anyu Baby | Penghui Industries Area, Guandu Economy Development Test Zone, Wengcheng Town, Wengyuan County, Shaoguan City, Guangdong Province, the PRC | 3,150 sq.m. | <i>Including VAT</i> RMB22,993.47 (equivalent to approximately HK\$26,918.45) <i>Excluding VAT</i> RMB21,094.93 (equivalent to approximately HK\$24,695.84) | Production Base |

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

Basis for determination of the rentals

The terms of the 2022 Lease Agreements have been agreed by the parties after arm's length negotiations and were on normal commercial terms. The monthly rental for each of the 2022 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 2022 Lease Agreements.

The aggregate value of the rental payable by the Company under the 2022 Lease Agreements for the two-year period is approximately HK\$9,058,000, which is expected to be financed by the internal resources of the Group. The aggregate value of the right-of-use assets to be recognised by the Company is approximately HK\$8,630,000.

REASONS FOR, AND BENEFITS OF, ENTERING INTO THE 2022 LEASE AGREEMENTS

The Group has been leasing the Premises as office and Production Base under the 2020 Lease Agreements. The 2020 Lease Agreements will expire on 31 May 2022 and the Group intends to continue to lease the Premises for its ongoing business operations, therefore the Group entered into the 2022 Lease Agreements with Kwong Fai and Penghui on 30 May 2022 to renew the 2020 Lease Agreements for a term commencing from 1 June 2022 and ending on 31 May 2024 (both days inclusive). The Directors are of the view that the renewal is beneficial to the Group after primarily taking into account (i) the saving of relocation costs; (ii) the historical and ongoing smooth operation of the businesses of the Group at the Premises; and (iii) the rental rates were determined based on the fair rent value assessed by an independent valuer.

The Directors (including the independent non-executive Directors) consider that the rental transactions contemplated under the 2022 Lease Agreements have been entered into in the ordinary course of the Group's business on normal commercial terms, and the terms of the 2022 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 2022 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 Cheung and as to 50% by Mr. C Chau. 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, 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. Each of Mr. Peter Chung and Mr. C Chau is 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 2022 Lease Agreements are controlled by the connected persons of the Company, the relevant entities as landlords under the 2022 Lease Agreements are connected persons of the Company. The rental transactions contemplated under the 2022 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 2022 Lease Agreements. Accordingly, the rental transactions under the 2022 Lease Agreements are 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 2022 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 2022 Lease Agreements is approximately HK\$8,630,000. As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the rental transactions (on an aggregated basis) under the 2022 Lease Agreements based on the aggregate 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) under the 2022 Lease Agreements constitutes (i) a discloseable transaction of the Company that is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction of the Company that is subject to the notification 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, being an executive Director and the son of Mr. Peter Chung; and (iv) Mr. W Chau, being 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 2022 Lease Agreements, they have therefore abstained from voting on the resolutions of the Board relating to the 2022 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 2022 Lease Agreements and was required to abstain from voting on the relevant Board resolutions approving the 2022 Lease Agreements and the transactions contemplated thereunder.

DEFINITIONS

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

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| “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 |
| “2022 Lease Agreements” | (i) the tenancy agreement entered into between Kwong Fai and Main Success dated 30 May 2022 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 30 May 2022 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 indirect wholly-owned subsidiary of the Company |
| “Board” | the board of Directors |
| “BVI” | the British Virgin Islands |

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| “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 indirect 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 |

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| “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” | People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan) |
| “Premises” | the leased premises under the 2022 Lease Agreements, being the leased premises under the 2020 Lease Agreements |
| “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 |
| “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 |
| “VAT” | value added tax |

“Wancheng Plastic” Wengyuanxian Wancheng Plastic Products Company Limited* (翁源縣萬成塑膠製品有限公司), 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, 30 May 2022

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\$1.1707. 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.