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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)**

### **(1) UPDATE RELATING TO AYD GROUP LIMITED — DISCLOSEABLE AND EXEMPTED CONNECTED TRANSACTION**

#### **(2) SUBSCRIPTION OF AYD GROUP LIMITED — DEEMED DISPOSAL OF AYD GROUP LIMITED AND EXEMPTED CONNECTED TRANSACTION**

#### **(3) EXTENSION OF THE MATURITY DATE OF THE LOAN — EXEMPTED CONNECTED TRANSACTION**

### **UPDATE RELATING TO AYD GROUP LIMITED — DISCLOSEABLE AND EXEMPTED CONNECTED TRANSACTION**

#### **(i) The 2017 attributable profit**

Reference is made to the section headed “The Investment” in the First Announcement. As disclosed in that section, the Investment Agreement provides that in the event that the 2017 Attributable Profit is more than RMB85,000,000 by 5% or more, the Investor shall, as bonus, transfer such number of shares in AYD to Cosmicfield to be determined under the formula as set out in the section headed “The Investment” in the First Announcement. As the 2017 Attributable Profit was RMB120,402,000 and exceeded RMB85,000,000 by more than 5%, the Investor is required to transfer 809 Bonus Shares to Cosmicfield under the terms of the Investment Agreement.

#### **(ii) The 2018 attributable profit**

On 30 June 2018 (after trading hours), the Investor entered into the Supplementary Agreement to amend and supplement, among others, the provisions relating to the 2018 Attributable Profit in the Investment Agreement.

### **SUBSCRIPTION**

On 30 June 2018 (after trading hours), AYD, the First Investor and the Second Investor entered into the Subscription Agreement.

The First Investor has conditionally agreed to subscribe 238 new shares in AYD for RMB28,550,000.

The Second Investor has conditionally agreed to subscribe 179 new shares in AYD for RMB21,450,000.

### **EXTENSION OF THE MATURITY DATE**

On 30 June 2018 (after trading hours), the parties to the Loan Agreement entered into the Supplementary Loan Agreement to amend and supplement, the Loan Agreement.

### **IMPLICATIONS UNDER THE LISTING RULES**

#### **The transfer of the 809 Bonus Shares**

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transfer by the Investor of the 809 Bonus Shares to Cosmicfield under the terms of the Investment Agreement exceeds 5% but all of them are less than 25%, the transfer constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements of Chapter 14 of the Listing Rules.

Cosmicfield is a substantial shareholder of AYD and is a connected person of the Company at the subsidiary level. The transfer by the Investor of the 809 Bonus Shares to Cosmicfield under the terms of the Investment Agreement is exempted under Rule 14A.101 of the Listing Rules and are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **The Subscription Agreement**

The First Investor principally engaged in investment holding. It is owned by the Management Team Members. Mr Ye Faduan, Mr Yip Shing Fung and Ms Gao Qin are the directors of AYD. As such, the First Investor is a connected person of the Company at the subsidiary level.

The Second Investor is principally engaged in investment holding. The ultimate beneficial owner of the Second Investor is Mr. Au Ngai Daniel, and he is also the ultimate beneficial owner of 6.9% of AYD. Save as described above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Second Investor and its ultimate beneficial owner are third party independent of the Company and its connected persons.

The issue of the shares of AYD under the Subscription Agreement to both the First Investor and the Second Investor is a deemed disposal of AYD by the Group. The highest applicable percentage ratio under Chapter 14 of the Listing Rules is more than 5% but all of the applicable percentage ratios are less than 25%, the issue of the shares of AYD constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The issue of shares of AYD under the Subscription Agreement to the First Investor constitutes exempted connected transaction under Rule 14A.76(2)(a) of the Listing Rules and are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **The extension of the Maturity Date**

Cosmicfield is a substantial shareholder of AYD and is a connected person of the Company at the subsidiary level. The Loan Agreement (as amended by the Supplementary Loan Agreement) is exempted under Rule 14A.101 of the Listing Rules and are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **1. INTRODUCTION**

The Company is optimistic about the prospects and growth opportunities available to AYD. Taking account of the historical financial performance and having observed the current up-to-date performance of AYD, in order to incentivise the management of AYD to make continuous commitment and support for the growth and development of AYD, we have chosen to transfer Bonus Shares to them according to the Investment Agreement. A spin-off and separate listing of the business of AYD on the Main Board of the Stock Exchange (the “**Proposed Spin-off**”) is also part of the mid-term business development strategy of the Company. However, the Proposed Spin-off is subject to, among others, the approval from the Stock Exchange, and the final decision of the Board. There is no assurance that the Proposed Spin-off will take place or as to when it may take place, and shareholders of the Company and potential investors should exercise caution when dealing in the Company's shares. Further announcement(s) will be made by the Company in relation to the Proposed Spin-off as and when appropriate in compliance with the Listing Rules.

## **2. UPDATE RELATING TO AYD GROUP LIMITED — DISCLOSEABLE AND EXEMPTED CONNECTED TRANSACTION**

### **(i) The 2017 attributable profit**

Reference is made to the section headed “The Investment” in the First Announcement. As disclosed in that section, the Investment Agreement provides that in the event that the 2017 Attributable Profit is more than RMB85,000,000 by 5% or more, the Investor shall, as bonus, transfer such number of shares in AYD to Cosmicfield to be determined under the formula as set out in the section headed “The Investment” in the First Announcement. As the 2017 Attributable Profit was RMB120,402,000 and exceeded RMB85,000,000 by more than 5%, the Investor is required to transfer 809 Bonus Shares to Cosmicfield under the terms of the Investment Agreement. Upon completion of the transfer, the Company shall hold 46.91% of the issued capital of AYD and Cosmicfield and Golden Metro will hold 26.08% and 18.92% of the issue capital of AYD respectively. After the transfer of the Bonus Shares, AYD will remain as a subsidiary of the Group with its assets and liabilities consolidated into the accounts of the Group.

## **(ii) The 2018 attributable profit**

On 30 June 2018 (after trading hours), the Investor entered into a supplementary agreement (the “**Supplementary Agreement**”) to amend and supplement, among others, the provisions relating to the 2018 Attributable Profit in the Investment Agreement (as disclosed in the section headed “The Investment” in the First Announcement) as follows:

- (1) there will no longer be any adjustment to the shareholding of the Investor in AYD in respect of the 2018 Attributable Profit in accordance with the Investment Agreement; and
- (2) instead,
  - (a) the Investor shall pay RMB5,000,000 to Cosmicfield within 10 Business Days of the date of issue of the 2018 Audited Accounts if the 2018 Attributable Profit is more than RMB120,000,000; or
  - (b) alternatively, Golden Metro and Cosmicfield shall, on a joint and several basis, pay RMB5,000,000 in total to the Investor within 10 Business Days of the date of issue of the 2018 Audited Accounts if the 2018 Attributable Profit is less than RMB120,000,000.

## **3. SUBSCRIPTION**

On 30 June 2018 (after trading hours), AYD, the First Investor and the Second Investor entered into the Subscription Agreement. The principal terms of the Subscription Agreement are set out below.

### **Subject matter**

The First Investor has conditionally agreed to subscribe 238 new shares in AYD for RMB28,550,000.

The Second Investor has conditionally agreed to subscribe 179 new shares in AYD for RMB21,450,000.

The consideration was determined after arm’s length negotiations between the parties with reference to the historical financial performance of AYD and comparable valuation for publicly listed companies principally engaged in infant’s apparel, infant food and/or toys related businesses (which are considered to be comparable businesses of AYD) in various major stock markets.

Upon completion, the shareholding structure of AYD is as follows:

	<b>As at the date of this announcement</b>		<b>Upon transfer of Bonus Shares and Subscription by Management Team Members</b>	
	<i>Number of Shares</i>	<i>Approximate percentage of shareholding</i>	<i>Number of Shares</i>	<i>Approximate percentage of shareholding</i>
Investor	5,500	55%	4,691	45.03%
Cosmicfield	1,892	18.92%	2,701	25.93%
Golden Metro	2,608	26.08%	2,608	25.04%
First Investor	—	—	238	2.28%
Second Investor	—	—	179	1.72%
	<u>10,000</u>	<u>100%</u>	<u>10,417</u>	<u>100%</u>

#### **Conditions**

Completion of the Subscription Agreement is conditional upon completion of the transfer of the Bonus Shares as described in the section headed “2017 Attributable Profit” in this announcement and the existing shareholders of AYD having waived their pre-emptive right over the shares to be issued under the Subscription Agreement. If the conditions are not fulfilled by 31 August 2018, the Subscription Agreement shall cease to be in force and of effect.

#### **4. AYD CALL OPTION AND AYD PUT OPTION**

On 30 June 2018 (after trading hours), parties to the Shareholders Agreement entered into a supplementary agreement (the “**Supplementary Shareholders Agreement**”) to amend and supplement the Shareholders Agreement. The terms of the Shareholders Agreement were set out in the section headed “The Shareholders Agreement” of the First Announcement.

Under the Supplementary Shareholders Agreement, the Shareholders Agreement is amended as follows:

##### **(i) AYD Call Option**

If the approval from the Stock Exchange in respect of the Proposed Spin-off (the “**PN15 Approval**”) has not been obtained on or before 30 June 2020, then Cosmicfield and Golden Metro will be, subject to obtaining Relevant Approvals granted a call option to acquire from the Investor its entire shareholding in AYD (the “**AYD Call Option**”).

The AYD Call Option can only be exercised by Cosmicfield and Golden Metro jointly on 2 July 2020. The exercise of the AYD Call Option is subject to (i) a definitive agreement being agreed and entered into between the Investor,

Cosmicfield and Golden Metro; and (ii) the Relevant Approvals being obtained. If the Company cannot obtain the Relevant Approvals, the Investor is not liable to Cosmicfield or Golden Metro under the Supplementary Agreement.

**(ii) AYD Put option and drag along right**

If the PN15 Approval is obtained on or before 30 June 2020 but the Proposed Spin-off is not completed on or before 28 February 2021, then the Investor may, at its absolute discretion, require Cosmicfield and Golden Metro to acquire from the Investor its entire shareholding in AYD (the “**AYD Put Option**”).

The AYD Put Option can only be exercised by the Investor on 1 March 2021. If the Investor exercises this right, the Company will comply all the relevant requirements under the Listing Rules. If Cosmicfield or Golden Metro cannot complete the disposal within 180 days of obtaining all the Relevant Approvals, then the Investor may, in its absolute discretion, sell its entire shareholding to an independent third party and require Cosmicfield and Golden Metro to sell their respective shareholdings to the purchaser.

**5. EXTENSION OF THE MATURITY DATE**

On 30 June 2018 (after trading hours), the parties to the Loan Agreement entered into a supplementary agreement (the “**Supplementary Loan Agreement**”) to amend and supplement, the Loan Agreement. The terms of the Loan Agreement were set out in the section headed “The Loan Agreement” of the First Announcement. Under the Supplementary Loan Agreement, the terms of the Loan are amended as follows:

- (i) The initial public offering of AYD on the Stock Exchange (the “**AYD IPO**”) is anticipated as part of the development of AYD gives its growth and prospect. Depending on the date of obtaining the PN15 Approval, the maturity date of the Loan (the “**Maturity Date**”) is set out below:
  - (1) If the Company cannot obtain the PN15 Approval by 31 December 2019, the Maturity Date will be 2 July 2020.
  - (2) If the Company obtains the PN15 Approval by 30 June 2020, the Maturity Date for the Agreed Amount will, at the option of Cosmicfield, be 30 June 2021 and the remaining outstanding amount of the Loan will be 31 December 2020.
  - (3) If the Company cannot obtain the PN15 Approval by 30 June 2020, the Maturity Date for the Agreed Amount will, at the option of Cosmicfield, be extended to 30 June 2021 while the remainder (if any) will remain as 2 July 2020, provided that if Cosmicfield and Golden Metro exercises the AYD Call Option on 2 July 2020, then the Maturity Date will be further extended to:
    - a. the completion date of the disposal of the shares of AYD, provided that the parties enter into the definitive sale and purchase agreement and all the Relevant Approvals are obtained and Cosmicfield has no right to extend the Maturity Date to 30 June 2021 if the completion date is earlier;  
or

- b. the later of (1) 180 days after notification by the Company that the Relevant Approvals cannot be obtained; or (2) 31 December 2020, if no definitive agreement were entered into or the Relevant Approvals were not obtained.

If the Maturity Date were extended in accordance with paragraph 3(a) or 3(b) above, the Agreed Amount may, at the discretion of Cosmicfield, be further extended to 30 June 2021.

## 6. INFORMATION ON AYD

AYD is a company incorporated in the British Virgin Islands with limited liability. Its indirect subsidiary, Zhuhai AYD, is the franchisor of a leading franchise in mother-infant-children products retail business in Southern China with a regional network of over 1,000 self-operated and franchise retail stores operating under the “愛嬰島” brand name, mainly in Guangdong, Jiansu and Zhejiang provinces.

The audited consolidated net asset value AYD as at 31 December 2017 amounted to approximately HK\$146,322,000, with total assets and liabilities of HK\$811,467,000 and HK\$665,145,000 approximately.

The audited consolidated financial results of AYD for the two years ended 31 December 2017 are as follows:

	<b>Year ended 31 December 2017 HK\$'000</b>	<b>Year ended 31 December 2016 HK\$'000</b>
Profit before taxation	184,700	19,935
Profit after taxation	138,849	14,770

## 7. REASONS

The Company is optimistic about the prospects and growth opportunities available to AYD.

Taking account of the historical financial performance and having observed the current up-to-date performance of AYD, the Company agrees with the management of AYD to amend and supplement, among others, the provisions relating to the 2018 Attributable Profit in the Investment Agreement. The cancellation of the provisions related to the 2018 Attributable Profit is beneficial to the Company.

The issue of the new shares by AYD under the Subscription Agreement will strengthen the capital base of AYD, it is intended that the net proceeds from the subscription will be applied towards AYD's general working capital. Subscription by the First Investor also shows AYD management's continuous commitment and support to the growth and development of AYD. It is also intended to be an incentive to the management of AYD, who together own the First Investor, to contribute to the success of AYD.



As at the date of this announcement, the outstanding principal amount of the Loan is RMB140,800,000 with a maturity date of 27 February 2020. In view of the future prospects of AYD including the Proposed Spin-off and the further contribution by the First Investor to AYD under the Subscription Agreement, the parties to the Loan Agreement agreed to extend the Maturity Date as set out under the section headed “EXTENSION OF THE MATURITY DATE” of this announcement.

The Proposed Spin-off is part of the mid-term business development strategy of the Company. However, the Proposed Spin-off is subject to, among other conditions, the approval from the Stock Exchange, and the final decision of the Board. Accordingly there is no assurance that the Proposed Spin-off will take place or as to when it may take place. If the Proposed Spin-off does not materialise, the Company considers that it should be given an option, exercisable at its absolute discretion, to require the other shareholders of AYD to purchase its holding in AYD. At the same time, the Company agreed to the AYD Call Option, which will only materialise, if a definitive agreement were entered into between the parties to the Shareholders Agreement and all the Relevant Approvals being obtained. Shareholders of the Company and potential investors should in this regard exercise caution when dealing in the Company’s shares. Further announcement(s) will be made by the Company in relation to the Proposed Spin-off as and when appropriate in compliance with the Listing Rules.

Based on the above considerations, the Board (including all the independent non-executive Directors) consider that (1) the transfer by the Investor of the 809 Bonus Shares to Cosmicfield under the terms of the Investment Agreement; (2) the terms of the Supplementary Agreement (including the amendments relating to the 2018 Attributable Profit); (3) the terms of the Supplementary Loan Agreement (including the extension of the Maturity Date); (4) the terms of the Supplementary Shareholders Agreement; and (5) the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## **8. IMPLICATIONS UNDER THE LISTING RULES**

### **The transfer of the 809 Bonus Shares**

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transfer by the Investor of the 809 Bonus Shares to Cosmicfield under the terms of the Investment Agreement exceeds 5% but all of them are less than 25%, the transfer constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements of Chapter 14 of the Listing Rules.

Cosmicfield is a substantial shareholder of AYD and is a connected person of the Company at the subsidiary level. The transfer by the Investor of the 809 Bonus Shares to Cosmicfield under the terms of the Investment Agreement is exempted under Rule 14A.101 of the Listing Rules and are exempted from the circular, independent financial advice and shareholders’ approval requirements under Chapter 14A of the Listing Rules.



## **The Subscription Agreement**

The First Investor principally engaged in investment holding. It is owned by the Management Team Members. Mr Ye Faduan, Mr Yip Shing Fung and Ms Gao Qin are the directors of AYD. As such, the First Investor is a connected person of the Company at the subsidiary level.

The Second Investor is principally engaged in investment holding. The ultimate beneficial owner of the Second Investor is Mr. Au Ngai Daniel, and he is also the ultimate beneficial owner of 6.9% of AYD. Save as described above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Second Investor and its ultimate beneficial owner are third party independent of the Company and its connected persons.

The issue of the shares of AYD under the Subscription Agreement to both the First Investor and the Second Investor is a deemed disposal of AYD by the Group. The highest applicable percentage ratio under Chapter 14 of the Listing Rules is more than 5% but all of the applicable percentage ratios are less than 25%, the issue of the shares of AYD constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The issue of shares of AYD under the Subscription Agreement to the First Investor constitutes exempted connected transaction under Rule 14A.76(2)(a) of the Listing Rules and are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **The AYD Call Option and the AYD Put Option**

The exercise of each of the AYD Call Option and the AYD Put Option is subject to, among others, entering into a definitive agreement. The Company will comply with the relevant requirements under the Listing Rules if and when a definitive agreement is entered into.

## **The extension of the Maturity Date**

Cosmicfield is a substantial shareholder of AYD and is a connected person of the Company at the subsidiary level. The Loan Agreement (as amended by the Supplementary Loan Agreement) is exempted under Rule 14A.101 of the Listing Rules and are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

No Director had a material interest in the above-mentioned transaction and no Director was required to be abstained from voting on the board resolutions to approve the above-mentioned transactions.

## DEFINITIONS

In this announcement, the terms defined in the First Announcement shall have the same meaning and the following terms shall have the following meaning:

“Agreed Amount”	an amount of RMB59,000,000, which will represent all or part of (if the principal outstanding is less than RMB59,000,000) the principal of the outstanding Loan and the corresponding interest accrued
“AYD”	AYD Group Limited 愛嬰島集團有限公司 (formerly known as Shining Time Holdings Limited), a company incorporated in the British Virgin Islands and a non-wholly owned subsidiary of the Company as at the date of this announcement
“AYD Call Option”	the option for Cosmicfield and Golden Metro to acquire the entire holding of the Investor in AYD
“AYD Put Option”	the option for the Investor to require Cosmicfield and Golden Metro to acquire the entire holding of the Investor in AYD
“AYD IPO”	has the meaning ascribed to it under the section headed “EXTENSION OF THE MATURITY DATE” of this announcement
“Board”	the board of directors of the Company
“Company”	Mason Group Holdings Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“First Announcement”	the announcement of the Company dated 30 December 2016
“First Investor”	Sino Ease Ventures Ltd., a company incorporated in the British Virgin Islands
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange
“PN15 Approval”	has the meaning ascribed to it under the section headed “AYD Call Option” of this announcement

“Relevant Approvals”	all the necessary approvals in relation to the disposal of the AYD Shares (including but not limited to the approval from the shareholders’ of the Company (if required))
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Second Investor”	Star Capital Partners Limited, a company incorporated in the British Virgin Islands
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the agreement dated 30 June 2018 between AYD, the First Investor and the Second Investor relating the issue of a total of 417 shares by AYD
“Supplementary Agreement”	the agreement as defined in the section headed “The 2018 attributable profit” in this announcement
“Supplementary Loan Agreement”	the agreement as defined in the section headed “EXTENSION OF THE MATURITY DATE” in this announcement
“Supplementary Shareholders Agreement”	the agreement as defined in the section headed “AYD CALL OPTION AND AYD PUT OPTION” in this announcement
“%”	per cent

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

Hong Kong, 30 June 2018

*As at the 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

*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