

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.



MASON GROUP HOLDINGS LIMITED

茂宸集團控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 273)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO DISCLOSEABLE TRANSACTION

Reference is made to the announcement of Mason Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 22 December 2020 (the “**Announcement**”). Unless otherwise defined, terms used herein shall have the same meanings as defined in the Announcement.

In addition to the information provided in the Announcement, The Board of the Company would like to provide further information in relation to the Supplemental Deed-5 and the Loan.

THE SUPPLEMENTAL DEED-5

Outstanding interest

As at the date of the Announcement, the outstanding interest on the Loan is approximately HK\$1,000,000 (which is the interest accrued from 7 December 2020 to the date of the Announcement) and has been paid on 6 January 2021.

Security and guarantee

The following table is a summary of all the securities provided for repayment of the Loan:

Description and Nature of Security	Security Provider	Value (as at the date of the Announcement)	Property Size	Property Usage
Charged Assets-1 ^(Note)	Borrower	HK\$147,323,400 (based on the net asset value of the Listco as at 30 June 2020)	Not applicable	Not applicable

Description and Nature of Security	Security Provider	Value (as at the date of the Announcement)	Property Size	Property Usage
Charged Assets-2 ^(Note)	Personal Chargor	HK\$2,969,400 (based on the net asset value of the Listco as at 30 June 2020)	Not applicable	Not applicable
The real estate in Germany registered in the land register (Grundbuch) at Amtsgericht Ludwigslust (Local Court of Ludwigslust), land register of Damm sheet 183 consisting of the lots subdistrict (Gemarkung) Damm 2 land parcels (Flurstücke) 77/2, 77/3, 77/4, 77/5, 77/7, 77/9, 77/10, 77/12, 77/13, 77/14, 77/15, 77/19, 76/6, 76/11, 76/13, 76/14, 76/16, 76/17, 76/19, 76/28 and 76/29	German Company	EUR1,200,000 (equivalent to HK\$11,441,000)	9,031 square metres	Residence
The real estate in USA at 13 Lake Street, Auburn, Maine 04210 (charged by Guarantor), 67 Minot Avenue, Auburn, Maine 04210 and 1 Minot Avenue, Auburn, Maine 04210 (charged by the US Company)	Guarantor and US Company	USD5,000,000 (equivalent to HK\$38,764,000)	18,000 square metres	Commercial Property

Note: The Charged Assets-1 and the Charged Assets-2 represent 50.11% and 1.01% of shareholding interest in the Listco (namely, Ta Yang Group Holdings Limited (Stock Code 1991)).

Assessments have been made for all individual guarantors (being the Guarantor, PRC Individual-1, PRC Individual-2, PRC Individual-3, all individuals of high net-worth with real property assets in Hong Kong and/or the PRC) and all corporate guarantors (being PRC Company-1 which has a net asset value of approximately RMB182 million and PRC Company-2 which has a net asset value of approximately RMB158 million based on their latest available management accounts).

The Directors consider that the Borrower, the Guarantor, the Personal Chargor, the German Company and the US Company (together with all individual guarantors and all corporate guarantors) have provided sufficient collateral and guarantee for the Loan.

INFORMATION ON THE PARTIES TO THE SUPPLEMENTAL DEED-5

The Guarantor is an entrepreneur with businesses in medical, healthcare, property, investment and management. The Guarantor has no past or present relationships (whether formal or informal, business or otherwise, implied or explicit) with the Company or its connected person.

PRC Individual-1, PRC Individual-2 and PRC Individual-3 are family relatives of the Guarantor. The Personal Chargor is a friend of the Guarantor. None of PRC Individual-1, PRC Individual-2, PRC Individual-3 and the Personal Chargor have any past or present relationships (whether formal or informal, business or otherwise, implied or explicit) with the Company or its connected person.

The remaining 50% shareholders of PRC Company-1 and PRC Company-2 are Mr. WANG Jianzhuo (an individual who is a resident in the PRC and a family relative of the Guarantor) and Mr. QIU Yonghao (an individual who is a resident in the PRC and a business collaboration partner of the Guarantor) respectively. None of the remaining 50% shareholders of PRC Company-1 and PRC Company-2 have any past or present relationships (whether formal or informal, business or otherwise, implied or explicit) with the Company or its connected person.

REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL DEED-5

Despite the worldwide pandemic and the changing macro-economic environment in 2020, the Directors consider that extension of the Loan is an achievable arrangement with mutual benefit to the Lender and the Borrower, and the reduction in the interest rate of the Loan is on normal commercial terms, fair and reasonable and in the best interests of the Company and its Shareholders as a whole for the following reasons:

- (a) given the Covid-19 outbreak is just an “one-off” event and the Listco presented its business development plan, the Company believes that it is not only time-consuming and costly for the Lender either to realize the security for cash or to run the business on its own, but it is also not desirable to cash out at the expense of the potential development and future growth of the Listco, which in turn puts the Borrower in a better position to repay the Loan;

- (b) the Borrower maintained a good record of timely payment of interest on the Loan in the past and the further extension of the Loan will generate more interest income (which may be used to set off the outstanding principal of the Loan to further reduce the credit risk of the Loan). This is demonstrated by the Borrower's strong repayment commitment through the disposal of its assets against a difficult market to further reduce the outstanding principal of the Loan by approximately HK\$10,490,000 from 15 April 2020 to the date of the Announcement, on top of additional securities provided earlier which had considerably reduced the credit risk of the Loan;
- (c) the Borrower will continue to repay the Loan and pay interest to the Lender whilst the Lender waits for the global economy to turn around, such that the securities obtained by the Lender will be of greater value for the Lender's exercise;
- (d) the Directors consider that the credit risk of the Loan had reduced because since the inception of the Loan and up to the date of the Announcement, the Borrower has repaid an aggregate amount of principal of approximately HK\$104,000,000 and interests of approximately HK\$134,000,000 to the Lender. Therefore, the absolute value of loss (if any) for the Loan will approximate HK\$42,000,000 (assuming the scenario of a total Loan repayment default and without taking into consideration any possible return through enforcement of the Loan's collaterals), thereby decreasing the Company's credit exposure in respect of the Loan (which principal amount as at its inception was HK\$280,000,000);
- (e) the progressive decrease in interest rate with reference to the decrease in the outstanding principal of the Loan is determined based on the decreasing credit risk of the Loan, where credit risk is particularly safeguarded, given the Loan is backed with the same security package, despite the outstanding principal of the Loan will decrease with time as repayment progresses;
- (f) the Loan is turning into an attractive investment, considering the expected return of the Loan is approximately HK\$170,000,000 reflecting a 13.67% annualized return in 6 years, as well as timely payment of interest and repayment of the principal of the Loan. As such, the Lender believes it is hard to obtain similar loan investment if the Lender chooses to realize the securities and terminate the Facility; and
- (g) per the Company's announcement of the Company of 4 November 2016, the Facility was financed by the internal resources of the Group, instead of external financing and the Directors have considered that the interest income of the Loan is sufficient to cover the finance cost of the Company.

IMPAIRMENT ASSESSMENT

The impairment loss in respect of the Loan was determined in compliance with the Hong Kong Financial Reporting Standard 9 (“**HKFRS 9**”) which became effective for the financial year ended 31 December 2018, Given HKFRS sets out the particular requirement for the impairment of loan receivable or loss allowance for expected credit losses (“**ECL**”) to be accounted for, the Company established a model for ECL estimation, which model takes into account various information as propounded by the HKFRS accounting standards and these include our historical credit loss experiences, factors that are specific to our debtors, relevant economic environment and conditions and etc.. For better records, as of 31 December 2020, the Company recognized a loss allowance for expected credit losses of approximately HK\$12,000,000 on the Loan (subject to auditors’ further review) in due compliance with the ECL model and the HKFRS accounting standards.

As the Borrower committed to continue to repay the Loan and pay interest to the Lender and the Guarantor, PRC Individual-1, PRC Individual-2, PRC Individual-3, the Personal Chargor, PRC Company-1, PRC Company-2, the German Company and the US Company committed to continue to provide securities and guarantee by entering into the Supplemental Deed-5, the Company considered that the provision made in respect of the Loan is adequate but not excessive. The Company will continue to assess the credit risk of the Loan (and may make further impairment loss or provision in respect of the Loan if and when necessary).

By Order of the Board
Mason Group Holdings Limited
Han Ruixia
Executive Director and
Deputy Chief Executive Officer

Hong Kong, 9 February 2021

As at the date of this announcement, the Board comprises:

Executive Directors:

Ms. Han Ruixia
Mr. Zhang Zhenyi

Non-executive Director:

Ms. Hui Mei Mei, Carol

Independent Non-executive Directors:

Mr. Tian Ren Can
Mr. Wang Cong
Mr. Wu Xu’an
Mr. Ng Yu Yuet