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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of MS Group Holdings Limited (the “**Company**”) is pleased to present the audited annual consolidated financial results of the Company and its subsidiaries (together the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for the corresponding period of 2020, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	2	293,746	248,510
Cost of sales		<u>(207,405)</u>	<u>(166,646)</u>
Gross profit		86,341	81,864
Selling expenses		(19,137)	(17,405)
Administrative expenses		(37,403)	(43,121)
Other income	4	333	2,473
Other losses, net	5	<u>(893)</u>	<u>(1,766)</u>
Operating profit		<u>29,241</u>	<u>22,045</u>
Finance income		431	508
Finance expenses		<u>(616)</u>	<u>(576)</u>
Finance expenses, net		<u>(185)</u>	<u>(68)</u>
Share of result of associates	11	<u>(5,089)</u>	<u>—</u>
Profit before taxation		23,967	21,977
Taxation	6	<u>(8,555)</u>	<u>(7,976)</u>
Profit for the year		<u><u>15,412</u></u>	<u><u>14,001</u></u>

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Attributable to:			
— Equity holders of the Company		<u>15,412</u>	<u>14,001</u>
		<i>HK cents</i>	<i>HK cents</i>
Profit per share attributable to equity holders of the Company during the year			
Basic and diluted	7	<u>7.71</u>	<u>7.00</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	15,412	14,001
Items that may be reclassified to consolidated income statement:		
Exchange translation differences	<u>3,700</u>	<u>5,988</u>
Total comprehensive income for the year attributable to:		
— Equity holders of the Company	<u>19,112</u>	<u>19,989</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		35,013	36,780
Right-of-use assets		1,706	5,645
Investment in associates	<i>11</i>	18,161	—
		54,880	42,425
Current assets			
Inventories		40,999	33,293
Trade and other receivables	<i>9</i>	31,252	34,085
Deposits and prepayments		5,424	7,150
Cash and cash equivalents		123,216	121,903
		200,891	196,431
Total assets		255,771	238,856
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		20,000	20,000
Share premium		36,614	36,614
Other reserves		9,080	4,492
Retained earnings		137,386	121,974
Total equity		203,080	183,080

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		—	1,811
Deferred income tax liabilities		<u>3,540</u>	<u>2,015</u>
		<u>3,540</u>	<u>3,826</u>
Current liabilities			
Trade and other payables	<i>10</i>	41,890	43,988
Lease liabilities		1,861	4,204
Tax payable		<u>5,400</u>	<u>3,758</u>
		<u>49,151</u>	<u>51,950</u>
Total liabilities		<u>52,691</u>	<u>55,776</u>
Total equity and liabilities		<u>255,771</u>	<u>238,856</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and disclosure requirements of the Hong Kong Companies Ordinance (“HKCO”) (Cap. 622). The consolidated financial statements have been prepared on a historical cost basis.

(i) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2
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The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(ii) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 REVENUE

The Group is principally engaged in manufacturing and sale of plastic bottles and cups for infants and toddlers and plastic sports bottles to OEM Business customer, and customers under its own brand. An analysis of the Group’s revenue is as follows:

	2021 HK\$’000	2020 HK\$’000
Revenue from OEM Business customer products	262,861	217,843
Revenue from own brand products	<u>30,885</u>	<u>30,667</u>
	<u><u>293,746</u></u>	<u><u>248,510</u></u>

3 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used for making strategic decisions. The chief operating decision-maker is identified as the Executive Directors of the Company. The chief operating decision-maker consider the business from a product perspective and assess the performance of the operating segments based on a measure of gross profit for the purposes of allocating resources. No analysis of segment assets or segment liabilities is regularly provided to the chief operating decision-maker.

The management has identified two operating segments based on the types of products, namely (i) manufacture and sale of plastic infant products to OEM Business customer and (ii) design, manufacture and sale of own brand infant products.

The segment information provided to the chief operating decision-maker for the years ended 31 December 2021 and 2020 is as follows:

	2021			2020		
	OEM Business customer products HK\$'000	Own brand products HK\$'000	Total HK\$'000	OEM Business customer products HK\$'000	Own brand products HK\$'000	Total HK\$'000
Segment revenue from external customers	262,861	30,885	293,746	217,843	30,667	248,510
Cost of sales	<u>(187,213)</u>	<u>(20,192)</u>	<u>(207,405)</u>	<u>(148,607)</u>	<u>(18,039)</u>	<u>(166,646)</u>
Gross profit	75,648	10,693	86,341	69,236	12,628	81,864
Selling expenses			(19,137)			(17,405)
Administrative expenses			(37,403)			(43,121)
Other income			333			2,473
Other losses, net			(893)			(1,766)
Finance expenses, net			(185)			(68)
Share of result of associates			<u>(5,089)</u>			<u>—</u>
Profit before taxation			23,967			21,977
Taxation			<u>(8,555)</u>			<u>(7,976)</u>
Profit for the year			<u>15,412</u>			<u>14,001</u>

For the years ended 31 December 2021 and 2020, the Group recognised all revenue from contracts with customers on a point in time basis.

Geographical information

The Group's revenue is mainly derived from customers located in the United States of America ("US"), the Netherlands, Italy and the People's Republic of China ("PRC"). The Group's revenue by the geographical location of the customers, determined based on the domicile countries of the customers, irrespective of the destinations of the goods, is detailed below:

	2021 HK\$'000	2020 HK\$'000
US	253,863	201,054
Netherlands	—	619
Italy	806	670
PRC	38,300	45,560
Other countries	<u>777</u>	<u>607</u>
	<u>293,746</u>	<u>248,510</u>

Major customers' information

The analysis of the Group's major customers, which a single external customer has contributed 10% or more to the Group's revenue, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The largest customer	143,423	103,665
The second largest customer	<u>99,617</u>	<u>90,461</u>

Non-current assets information

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	782	1,492
PRC	35,937	40,933
US	<u>18,161</u>	<u>—</u>
	<u>54,880</u>	<u>42,425</u>

4 OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Government grant	—	2,448
Sundries	<u>333</u>	<u>25</u>
	<u>333</u>	<u>2,473</u>

5 OTHER LOSSES, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net foreign exchange losses	(477)	(1,394)
Loss on disposal of property, plant and equipment	(153)	(372)
Sundries	<u>(263)</u>	<u>—</u>
	<u>(893)</u>	<u>(1,766)</u>

6 TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current income tax		
Hong Kong Profits Tax	5,906	2,084
PRC enterprise income tax	<u>1,124</u>	<u>3,957</u>
	7,030	6,041
Deferred income tax	<u>1,525</u>	<u>1,935</u>
Income tax expenses for the year	<u><u>8,555</u></u>	<u><u>7,976</u></u>

For each of the years ended 31 December 2021 and 2020, Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the years. PRC enterprise income tax has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the PRC.

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before taxation	23,967	21,977
Add: share of results of associates	<u>5,089</u>	<u>—</u>
Profit before tax and before share of results of associates	29,056	21,977
Calculated at a tax rate of 16.5% (2020: 16.5%)	4,794	3,626
Effect of different tax rates in other jurisdictions	145	1,668
Tax effect of expenses not deductible for tax purpose	2,696	2,869
Tax effect of income not taxable for tax purpose	(172)	(300)
Tax losses not recognised	<u>1,092</u>	<u>113</u>
Income tax expenses	<u><u>8,555</u></u>	<u><u>7,976</u></u>

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company during the year is based on the following data:

	2021	2020
Profit attributable to owners of the Company (HK\$'000)	15,412	14,001
Weighted average number of ordinary shares in issue (thousands)	200,000	200,000
Basic earnings per share (Hong Kong cents)	<u>7.71</u>	<u>7.00</u>

(b) Diluted earnings per share

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potentially dilutive ordinary shares outstanding as at 31 December 2020.

Diluted earnings per share for the year ended 31 December 2021 is equal to the basic earnings per share as the potential dilutive ordinary shares arising from exercise of the outstanding share options would be anti-dilutive.

8 DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 December 2021 and 2020.

9 TRADE AND OTHER RECEIVABLES

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	33,535	36,236
Loss allowance	<u>(2,362)</u>	<u>(2,721)</u>
	31,173	33,515
Other receivables	<u>79</u>	<u>570</u>
	<u>31,252</u>	<u>34,085</u>

The credit period for the trade receivables for the Group's business generally ranges from 30 to 90 days. The ageing analysis of trade receivables by invoice date is as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	23,130	22,722
31–60 days	1,318	3,517
61–90 days	2,254	1,948
Over 90 days	4,471	5,328
	<u>31,173</u>	<u>33,515</u>

10 TRADE AND OTHER PAYABLES

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	13,225	17,786
Accruals and other payables	23,585	21,939
Contract liabilities	5,080	4,263
	<u>41,890</u>	<u>43,988</u>

The ageing analysis of trade payables based on invoice dates is as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	8,430	12,117
31–60 days	3,126	3,859
61–90 days	42	50
Over 90 days	1,627	1,760
	<u>13,225</u>	<u>17,786</u>

11 INVESTMENTS IN ASSOCIATES

Summary of acquisition

On 20 January 2021, the Group acquired 40% interest in BRH2 Plastics, LLC at an aggregate consideration of HK\$23,250,000 (US\$3,000,000). BRH2 Plastics, LLC, together with its subsidiaries, has established production lines and business networks in North America and is principally engaged in the manufacturing and sale of custom-designed plastic products using injection molding machines for consumer goods, automotive and healthcare industries.

The amounts recognised in the consolidated statement of financial position are as follows:

	31 December 2021 <i>HK\$'000</i>
Associates	<u>18,161</u>

The share of net losses recognised in the consolidated income statement for the year ended 31 December 2021 included share of operating losses amounted HK\$1,858,000 before amortisation of intangible assets identified during the acquisition amounted HK\$3,231,000.

12 SHARE-BASED PAYMENTS

The Company adopted a share option scheme pursuant to a written resolution of the Shareholders passed on 15 May 2018. 6,000,000 share options were granted to the Directors, senior management and certain employees of the Group on 7 June 2021.

Share-based payment amounted HK\$888,000 was recognised in the consolidated income statement during the year ended 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the production and sales of plastic bottles and baby feeding accessories. The two business segments of the Group are:

- (i) the “OEM Business” which primarily comprises the production and sales of plastic bottles and cups for infants and toddlers and plastic sports bottles on an original equipment manufacturer (OEM) basis predominately for the overseas markets; and
- (ii) the “Yo Yo Monkey Business” which primarily comprises the production and sales of infant and toddler products, particularly plastic bottles and cups, under the brand developed by the Group known as “Yo Yo Monkey (優優馬騮)”.

Although the outbreak of the COVID-19 pandemic did not cause any direct material impact on the overall operations (such as procurement and manufacturing) of the Group, the pandemic had (i) caused consumers to become more reluctant to physically shop at retailers; (ii) driven the close down of retail shops; and (iii) worsened the general economies on a worldwide scale, particularly in year 2020. In year 2021, along with the roll out of further control measures by governments around the world, the global economy was overall recovering from the pandemic.

Against the backdrop of the global pandemic and the recovering macro-economy, the total revenue of the Group for the year ended 31 December 2021 achieved an annual growth in revenue of approximately 18.2%, primarily attributable to the annual increase in revenue from the OEM Business of the Group of approximately 20.7%.

The OEM Business continued to be the main revenue and profit contributor to the Group for the year ended 31 December 2021. The overall production output of the OEM Business increased in year 2021 in light of the aforementioned increase in sales orders. However, the profitability of the OEM Business in terms of its gross profit margin for year 2021 was weakened as compared to the preceding year in light of (i) the increase in raw material costs; (ii) the increase in labour costs; (iii) the reduction in the exemption of the payment of social insurance in relation to COVID-19 relief measures in the PRC; and (iv) the appreciation of Renminbi.

The revenue of the Yo Yo Monkey Business in year 2021 maintained at the preceding year level and was not able to achieve material growth. The number of third party retail stores in the PRC selling products of the Group reduced from 292 at the end of year 2020 to 204 at the end of year 2021. Moreover, the gross profit margin of the Yo Yo Monkey Business also reduced. The unfavourable performance was mainly due to the industry environment in the PRC market, including the declining trend of the birth rate in the PRC and fierce local market competition.

In addition to organic business development, the Group had entered into a membership interest purchase agreement to obtain 40% interest in BRH2 Plastics, LLC. BRH2 Plastics, LLC, together with its subsidiaries, has established production lines and business networks in North America and is principally engaged in the manufacturing and sale of custom-designed plastic products using injection molding machines for consumer goods, automotive and healthcare industries. The investment was

completed on 20 January 2021. Although the Group recorded a loss in relation to the share of result of associates for the year ended 31 December 2021, the investment is expected to generate synergies to the Group in areas including production techniques and business connections in the long run. Further details of the investment are disclosed in the announcements of the Company dated 19 January 2021 and 28 January 2021.

Overall, the Group achieved a growth in net profit attributable to Shareholders, from approximately HK\$14.0 million for the year ended 31 December 2020 to approximately HK\$15.4 million for the year ended 31 December 2021, mainly due to (i) the reduction in administrative expenses, particularly in respect of legal and professional fees; and (ii) the improved performance of the OEM Business.

OUTLOOK AND STRATEGIC PLAN

The total revenue of the Group recorded an increase in the year ended 31 December 2021, which was mainly attributable to the increase in sales orders of the OEM Business. However, both of the OEM Business and the Yo Yo Monkey Business are expected to continue to face challenges and uncertainties in the upcoming future in view of factors including (i) the ongoing pandemic, particularly in case of a new wave of outbreak, which may bring another setback to the economy; (ii) the ongoing trade war between the PRC and the United States, which may reduce the demand of the products of the Group, particularly for the customers of the OEM Business based in the United States; (iii) the PRC recorded the lowest birthrate in decades in year 2021, where such decline trend may affect the upcoming demand of products for the Yo Yo Monkey Business; and (iv) the military conflicts involving Russia and Ukraine had driven the fluctuation in commodity prices (such as oil price), which in turn may lead to the fluctuation in the costs of raw material of the Group (such as plastic resin).

The Group has been taking strategic actions to prepare itself for business challenges. For the OEM Business, the Group has focused on (i) providing quality services and further solidifying business relations with the existing major customers; and (ii) identifying new customers with a view to diversifying its customer base on a worldwide basis. For the Yo Yo Monkey Business, the Group has been (i) enhancing product diversities to cover a variety of item categories and cartoon characters; and (ii) putting efforts in the geographical expansion to the overseas market with own-brand products that cope with the culture and trend of the local market. Furthermore, the Group has always been exploring means to drive down its overall operating costs and expenses in order to maintain or enhance its profitability, such as by way of (i) further automatising and streamlining production cycles to minimise labour force and wasted resources; and (ii) closely monitoring the effectiveness of its administrative, selling and related expenses to minimise unnecessary expenditures.

FINANCIAL REVIEW

Revenue

Revenue of the Group amounted to approximately HK\$293.7 million for the year ended 31 December 2021 (2020: approximately HK\$248.5 million), representing an increase of approximately 18.2%. The increase was mainly attributable to the growth of the OEM Business.

- ***OEM Business***

For the year ended 31 December 2021, revenue generated from the OEM Business amounted to approximately HK\$262.9 million, representing an increase of approximately 20.7%, as compared to that of approximately HK\$217.8 million for the preceding year. For the year ended 31 December 2021, the two largest customers continued to be the major contributors of revenue for the OEM Business, where (i) the revenue generated from the largest customer of the Group amounted to approximately HK\$143.4 million (2020: approximately HK\$103.7 million), representing an increase of approximately 38.3%; and (ii) the revenue generated from the second largest customer of the Group amounted to approximately HK\$99.6 million (2020: approximately HK\$90.5 million), representing an increase of approximately 10.1%. The trade war between the PRC and the United States was yet to have any material direct impact (such as tariffs) on the operations of the Group for the year ended 31 December 2021.

- ***Yo Yo Monkey Business***

For the year ended 31 December 2021, the Yo Yo Monkey Business recorded revenue of approximately HK\$30.9 million, representing a slight increase of approximately 0.7% as compared to that of approximately HK\$30.7 million for the preceding year. Revenue of the Yo Yo Monkey Business was not able to achieve significant growth mainly because of the unfavorable industry environment in the PRC, which was attributable to, among other factors, the decrease in birth rate in the recent years and the fierce local market competition.

Gross profit

The overall gross profit of the Group for the year ended 31 December 2021 was approximately HK\$86.3 million, representing an overall gross profit margin of approximately 29.4%, as compared to that of approximately HK\$81.9 million, representing a gross profit margin of approximately 32.9% for the year ended 31 December 2020. For the year ended 31 December 2021, the gross profit margin of the OEM Business was approximately 28.8% (2020: approximately 31.8%) and the gross profit margin of the Yo Yo Monkey Business was approximately 34.6% (2020: approximately 41.2%). The drop in gross profit margin of both the OEM Business and the Yo Yo Monkey Business for the year ended 31 December 2021 as compared to that of the preceding year was mainly attributable to (i) the increase in raw material costs; (ii) the increase of labour costs; (iii) the reduction in the exemption of the payment of social insurance in relation to the COVID-19 relief measures in the PRC; and (iv) the appreciation of Renminbi.

Selling expenses

The Group incurred selling expenses of approximately HK\$19.1 million for the year ended 31 December 2021, representing an increase of approximately 10.0% as compared to that of approximately HK\$17.4 million for the year ended 31 December 2020. Such increase was mainly attributable to the increase in (i) transportation expenses, in particular for the rising shipping costs; and (ii) marketing research fee for new branding.

Administrative expenses

The administrative expenses of the Group amounted to approximately HK\$37.4 million for the year ended 31 December 2021, representing a decrease of approximately 13.3% as compared to that of approximately HK\$43.1 million for the year ended 31 December 2020. Such decrease was mainly attributable to the decrease in legal and professional fees by approximately HK\$3.1 million, which was primarily related to the acquisition of BRH2 Plastics, LLC.

Other income and gains/losses

The Group recorded net other losses of approximately HK\$560,000 for the year ended 31 December 2021, as compared to net other income and gains of approximately HK\$707,000 for the year ended 31 December 2020. The net other losses in year 2021 were mainly attributable to net foreign exchange losses.

Finance expenses, net

The Group incurred net finance expenses of approximately HK\$185,000 for the year ended 31 December 2021, as compared to that of approximately HK\$68,000 net finance expenses for the year ended 31 December 2020. The finance expenses were mainly interest expenses for the utilisation of bill facilities and interests for the lease liabilities pursuant to the adoption of HKFRS 16, while the finance income was mainly derived from bank depository interest.

Share of result of associates

The Group recorded a share of losses of associates of approximately HK\$5.1 million for the year ended 31 December 2021, which was nil for the preceding year. It was primarily attributable to the amortisation of intangible assets identified during the acquisition which amounted to approximately HK\$3.2 million and the share of loss amounting to approximately HK\$1.9 million in relation to the Group's 40% interest in BRH2 Plastics, LLC.

Net profit

The Group recorded an increase in net profit attributable to equity holders of the Company from approximately HK\$14.0 million for the year ended 31 December 2020 to approximately HK\$15.4 million for the year ended 31 December 2021 primarily due to (i) the decrease in administrative expenses, which was mainly attributable to the reduction in legal and professional fees; and (ii) the annual growth of performance of the OEM Business.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2021, the cash and cash equivalents of the Group amounted to approximately HK\$123.2 million (2020: approximately HK\$121.9 million). The cash and cash equivalents of the Group as at 31 December 2021 were primarily denominated in Hong Kong dollars, Renminbi and United States dollars. The net increase in cash and cash equivalents from 31 December 2020 to 31 December 2021 by approximately HK\$1.3 million was mainly driven by, among other things, the profit before taxation recorded for the year ended 31 December 2021 of approximately HK\$24.0 million, which was offset by, among other things, the payment of the acquisition in relation to BRH2 Plastics, LLC of approximately HK\$21.3 million.

As at 31 December 2021, the Group maintained banking facilities of approximately HK\$30.0 million (2020: approximately HK\$30.0 million), which were partly utilised as bills facilities to settle payments to suppliers from time to time. As at 31 December 2021, such banking facilities were not utilised.

As at 31 December 2021, the gearing ratio of the Group (being total interest-bearing borrowings divided by total equity) was nil (2020: Nil).

CAPITAL COMMITMENT AND CAPITAL EXPENDITURE

As at 31 December 2021, the Group had no capital commitment (2020: Nil).

For the year ended 31 December 2021, the capital expenditure of the Group (being gross addition of property, plant and equipment) was approximately HK\$6.3 million (2020: approximately HK\$7.8 million). Such capital expenditure was primarily for the acquisition of new machineries and equipment.

For further information on future capital expenditure, please also refer to the section headed “Use of proceeds from the Listing” in this announcement.

TREASURY POLICY

The Group had sufficient level of cash and banking facilities for the conduct of its trade in the normal course of business during the year ended 31 December 2021. The management will continue to follow a prudent policy in managing the Group’s cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of any future growth opportunities.

EXCHANGE RATE RISK

The transactions of the Group were primarily denominated in United States dollars, Renminbi and Hong Kong dollars. In particular, sales were primarily made in United States dollars whereas payments of staff wages and salaries were in Renminbi and Hong Kong dollars. The Group was exposed to exchange rate risk, especially from the fluctuation of the value of Renminbi.

For the year ended 31 December 2021, the Group recorded a loss on foreign exchange of approximately HK\$477,000 (2020: loss on foreign exchange of approximately HK\$1.4 million).

The Group had not used any derivatives to hedge its exposure to foreign exchange risk during the year ended 31 December 2021. The management of the Company will continue to monitor the Group's foreign currency risk exposure and to ensure that it is kept at an acceptable level.

CHARGE ON ASSETS

None of the assets of the Group were pledged as at 31 December 2021 (2020: nil).

MATERIAL ACQUISITION, DISPOSAL AND INVESTMENT

As disclosed in the announcements of the Company dated 19 January 2021 and 28 January 2021, the Group had entered into a membership interest purchase agreement to obtain 40% interest in BRH2 Plastics, LLC at an aggregate consideration of US\$3,000,000. BRH2 Plastics, LLC, together with its subsidiaries, has established production lines and business networks in North America and is principally engaged in the manufacturing and sale of custom-designed plastic products using injection molding machines for consumer goods, automotive and healthcare industries. The aforesaid transaction was completed on 20 January 2021. For further details of the transaction, please refer to the aforementioned announcements and note 11 to the consolidated financial statements of the Group in this announcement.

Save for the aforesaid, the Group (i) did not perform any material acquisition or disposal of subsidiaries, associates or joint ventures or investments during the year ended 31 December 2021; and (ii) did not hold any significant investment as at 31 December 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have other plans for material investments and capital assets during the year ended 31 December 2021 and up to the date of this announcement.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no material contingent liabilities, nor was aware of any pending or potential material legal proceedings involving the Group.

EVENTS AFTER THE YEAR

As at the date of this announcement, there is no other material change or major event required to be disclosed by the Company after 31 December 2021.

USE OF PROCEEDS FROM THE LISTING

The aggregate net proceeds to the Company from the Listing (involving the issue of a total of 50,000,000 ordinary Shares at the offer price of HK\$1.34 per Share), after deducting related underwriting fees and other expenses in connection with the Listing, was approximately HK\$48.6 million.

Up to 31 December 2021, a majority of the net proceeds from the Listing had been utilised with reference to the “Future plans and use of proceeds” in the Prospectus as follows:

	Actual utilisation up to 31 December 2021	Unutilised amounts as at 31 December 2021
Use of net proceeds	Net proceeds from the Listing	
	<i>HK\$ million</i>	<i>HK\$ million</i>
Expansion of production capabilities	17.7	17.7
Development of the Yo Yo Monkey Business	13.0	13.0
Strengthening the client base of the OEM Business	5.3	2.1
Improve product development capabilities	8.8	1.8
Working capital and administrative expenses	<u>3.8</u>	<u>3.8</u>
Total	<u><u>48.6</u></u>	<u><u>38.4</u></u>
		<u><u>10.2</u></u>

As shown in the above table, the total unutilised amount of the net proceeds was approximately HK\$10.1 million as at 31 December 2021 and such unutilised amount was deposited in short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong. Such unutilised amount was related to the strengthening of client base (such as participating in tradeshows) and product development capabilities (such as engaging industrial engineers) of the OEM Business. The principal reason for the slow down in the utilisation of the proceeds was the uncertainties brought forward by (i) the outbreak of the trade war between the United States and the PRC; and (ii) the adverse impacts of the COVID-19 on a worldwide scale. The Group therefore remained conservative on its marketing expenses and product development spending, rather than hastily expanding at a rapid pace.

With reference to the announcement of the Company dated 11 March 2022 (the “**UOP Announcement**”), the Board had resolved to revise the allocation of the unutilised net proceeds and the expected timeline for fully utilising the remaining net proceeds (the “**Reallocation**”). Details of the revision are set out as follows:

	Original allocation of the net proceeds as disclosed in the Prospectus HK\$ million	Utilised net proceeds as at the date of the UOP Announcement HK\$ million	Unutilised net proceeds as at the date of the UOP Announcement HK\$ million	Revised allocation of the unutilised net proceeds HK\$ million	Expected timeline for the fully utilising the remaining net proceeds
Expansion of production capabilities	17.7	17.7	—	4.0	Before 31 December 2022
Development of the Yo Yo Monkey Business	13.0	13.0	—	6.1	Before 31 December 2022
Strengthening the client base of the OEM Business	5.3	2.1	3.2	—	—
Improve product development capabilities	8.8	1.9	6.9	—	—
Working capital and administrative expenses	3.8	3.8	—	—	—
Total	<u>48.6</u>	<u>38.5</u>	<u>10.1</u>	<u>10.1</u>	

With reference to the UOP Announcement, the unutilised net proceeds were originally intended for (i) the strengthening of client base, such as participating in tradeshow for the OEM Business; and (ii) improving product development capabilities, such as engaging industrial engineers to assist customers to design new products for the OEM Business. Based on the latest business review by the Group and with reference to the above table, the Group believes such unutilised net proceeds should be reallocated for (i) the expansion of production capabilities, particularly, for the purchase of injection machines that can meet manufacturing needs; and (ii) the development of the Yo Yo Monkey Business, particularly, for the conducting of offline and online marketing activities and the employment of sales staff, to better fit the overall development strategy and the current circumstances of the Group in light of the following major factors:

- as the OEM Business is the main revenue and profit contributor to the Group, the Group has a stronger need for the expansion of production capabilities (such as the purchase of new models of injection machines) to replace the aged machinery and to keep up with the latest technological advancements, so as to maintain the capability of the Group to meet the needs of customers and to maintain the competitiveness of the Group in the market; and

- as the Yo Yo Monkey Business is involved in the sale of own-brand products, it requires more marketing activities for brand building and sales staff for market penetration as compared with the OEM Business. Moreover, as mentioned in the 2021 Interim Report, in view of the current shift in market landscape brought by the industry trend and COVID-19, the Group has been placing efforts to develop its online sales platforms, therefore more resources for online marketing sales and promotion are necessary. The Group believes that the Yo Yo Monkey Business, if provided with further resources, can better capture the growing potential in the PRC market.

The Directors expect to improve the overall performance of the Group through the upcoming utilisation of the net proceeds from the Listing.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2021, the Group had 740 full-time employees (2020: 740). The number of employees of the Group in year 2021 was overall maintained at a similar level to that in year 2020.

Employees were remunerated and granted bonus based on their performance, work experience and prevailing market conditions. In compliance with statutory requirements in the PRC, the Group participated in a social insurance scheme and a housing provident fund. The social insurance scheme included pension insurance, medical insurance, maternity insurance, unemployment insurance and work injury insurance. For the Hong Kong employees, the Group contributed to the mandatory provident fund scheme as applicable. Employee benefit expenses of the Group for the year ended 31 December 2021 was approximately HK\$76.6 million (2020: approximately HK\$62.6 million).

The emoluments of the Directors were decided by the Board after recommendation from the remuneration committee of the Company, having considered factors such as the Group's financial performance and the individual performance of the Directors, etc.

The Group has adopted a Share Option Scheme under which employees of the Group may be granted an opportunity to acquire equity interests in the Company in recognition of their contributions to the Group. On 7 June 2021, the Company granted 6,000,000 share options to the Directors, senior management and certain employees of the Group to subscribe for an aggregate of 6,000,000 Shares. For further details, please refer to the announcement of the Company dated 7 June 2021 and note 12 to the consolidated financial statements of the Group in this announcement.

PROSPECTS

In year 2021, major issues affecting the macro-environment and our overall businesses, including (i) the COVID-19 pandemic; (ii) the trade war between the PRC and the United States; (iii) the low birth rate in the PRC; and (iv) the military conflicts involving Russia and Ukraine, remain unresolved. Hence, the prospects of the businesses of the Group are subject to uncertainties. However, the Board believes that, in general, due to factors including the implementation of various measures by governments around the world to control the pandemic, the macro economy is returning to the track of growth.

The key products of the OEM Business target the overseas markets, where a majority of the revenue is derived from customers based in the United States. The Group adheres to its policy of putting its customer first by delivering quality products and services and, in year 2021, the Group successfully secured higher volume of orders from its existing major customers, which boosted the overall revenue of the OEM Business. Regarding the ongoing trade war between the United States and the PRC (including Hong Kong), it has not yet caused any direct material impact on the businesses of the Group, but if relevant trade policies (such as tariffs) are further enacted, the performance of the OEM Business may be adversely affected. Moreover, while the revenue derived from products sold and/or delivered to Russia is minimal to the Group, the military conflicts involving Russia and Ukraine had driven the fluctuation in commodity prices (such as oil price), which may lead to the fluctuation in the costs of raw material of the Group (such as plastic resin) and may cause an adverse impact on the profit margin of the Group. Although the macro economy of the overseas markets may still be clouded by uncertainties in the upcoming year, the Group will continue to equip itself with competitive capabilities (such as further enhancing its product development and manufacturing capabilities) and build stronger bonds with customers (such as through understanding the actual needs of customers and providing feasible solutions to customers by way of close and frequent communication) to gain confidence and secure sales orders from both existing and potential customers on a worldwide basis.

The key products of the Yo Yo Monkey Business target the mid-to-high end market in the infant and toddler segment. The “Yo Yo Monkey (優優馬騮)” brand of the Group is one of the few quality baby brand products originated from Hong Kong and is well positioned to capture the growing potential in the PRC market. However, the development of the Yo Yo Monkey Business has been and is expected to continue to be challenging in view of, among other factors, the possible outbreak of another wave of pandemic (such as possible new variants of the virus), the fierce local competition and the lowering birth rate in the PRC. In view of the declining trend of birth rate in the PRC, the effectiveness of the recent announcement of the three-child policy in the PRC is uncertain. In 2021, the rate of 7.52 births per 1,000 people was the lowest since 1949, the year when the National Bureau of Statistics of the PRC began collating the data. Nonetheless, the Group will continue to leverage on the brand name which the Group has built in the market and handle the challenges with suitable strategies. For example, (i) the Group is expecting to allocate more resources to develop its online sales platforms to cope with the latest market trend where consumers spend more time at home and shop over the internet amidst the pandemic; and (ii) the Group is putting efforts to expand the geographical markets of its own-brand products to the overseas by utilising its existing networks established through the OEM Business to expand revenue stream.

The Group intends to utilise its net proceeds from the Listing to expand our production capabilities and develop the YoYo Monkey Business in year 2022. These are expected to broaden the income source and enhance the competitive strengths of the Group.

On top of the ongoing efforts on developing organic growth, the Group has been proactively identifying acquisition targets on a global basis that are able to bring production synergies to the Group in a cost effective manner. As disclosed in the announcements of the Company dated 19 January 2021 and 28 January 2021, the Group had entered into a membership interest purchase agreement with

independent third parties to obtain 40% interest in BRH2 Plastics, LLC. BRH2 Plastics, LLC, together with its subsidiaries, has established production lines and business networks in North America and is principally engaged in the manufacturing and sale of custom-designed plastic products using injection molding machines for consumer goods, automotive and healthcare industries. The investment in BRH2 Plastics, LLC was completed on 20 January 2021 and is mutually beneficial to the Group and BRH2 Plastics, LLC through the sharing of production techniques in the plastic products manufacturing industry, such as the injection molding for certain plastic products. Furthermore, the investment is expected to bring commercial synergies to the existing principal businesses of the Group in terms of, among other things, client base because BRH2 Plastics, LLC has already established business connections with certain plastic product customers in the United States, which the Group may leverage on and expand its existing client base.

Over the years, the Group had overcome numerous challenges and continuously transformed to achieve its current market position. The primary products of the Group, which include plastic bottles and infant and toddler products, are necessity goods which have stable demand despite the turbulences prevailing in the overall economic and business environment. In the past three financial years, the Group was able to maintain its financial performance in terms of net profit generation. The core competitiveness of the Group lies in its long term strategic relationships established with its upstream and downstream business partners and also its reputation and experience accumulated in the industry throughout the years. Looking ahead, the Group will continue to cautiously carry out business review, capitalise on its core competitiveness and promptly make appropriate business adjustments to cope with the ever-changing market environment, with a view to unleash the potentials of the Group and deliver sustainable growth. In addition, the Group will continue to identify, explore and capture business and investment opportunities to drive growth. The primary missions of the Group are to safeguard its ongoing businesses, employees' health and Shareholders' value at all times and the Directors are optimistic that the businesses of the Group will bear fruit and flourish in the long run.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2021.

DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held on Monday, 30 May 2022. The notice of the AGM will be published and distributed to the Shareholders in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in due course.

CLOSURES OF REGISTER OF MEMBERS

The Company will hold the annual general meeting on Monday, 30 May 2022. The register of members of the Company will be closed from Wednesday, 25 May 2022 to Monday, 30 May 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attendance and voting at the forthcoming annual general meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar and transfer office of the Company, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 24 May 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) in Appendix 10 to the Listing Rules. The Company had made specific enquiries to all Directors and they had confirmed in writing their compliance with the required standard set out in the Model Code throughout the year ended 31 December 2021.

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining high standards of corporate governance. The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the “**CG Code**”) under Appendix 14 to the Listing Rules. During the year ended 31 December 2021, the Company had complied with all applicable code provisions set out in the CG Code.

REVIEW OF FINANCIAL INFORMATION

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been reviewed by the Company's audit committee and agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement of the Company is published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.mainsuccess.cn). The annual report of the Company for the financial year ended 31 December 2021 containing all the relevant information required by the Listing Rules will be despatched to the Shareholders on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 21 March 2022

As of 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.