



ANNUAL REPORT 2021

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

PRINCIPAL BUSINESSES

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 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 and known as “Yo Yo Monkey (優優馬騮)”, principally for the PRC market.
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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chau Ching (*Chairman*)
Mr. Chung Kwok Keung Peter (*Chief Executive Officer*)
Mr. Chau Wai
Mr. Chung Leonard Shing Chun

Independent non-executive Directors

Mr. Asvaintra Bhanusak
Mr. Seto John Gin Chung
Mr. Yu Hon To David

BOARD COMMITTEES

Audit Committee

Mr. Yu Hon To David (*Chairman*)
Mr. Asvaintra Bhanusak
Mr. Seto John Gin Chung

Remuneration Committee

Mr. Seto John Gin Chung (*Chairman*)
Mr. Asvaintra Bhanusak
Mr. Yu Hon To David

Nomination Committee

Mr. Chau Ching (*Chairman*)
Mr. Seto John Gin Chung
Mr. Yu Hon To David

COMPANY SECRETARY

Mr. Ko Kam On

AUTHORISED REPRESENTATIVES

Mr. Chung Kwok Keung Peter
Mr. Chung Leonard Shing Chun

AUDITORS

PricewaterhouseCoopers
(*Certified Public Accountants and
Registered Public Interest Entity Auditor*)

LEGAL ADVISOR

David Fong & Co.

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 907, 9/F., Enterprise Square Tower 1
9 Sheung Yuet Road, Kowloon Bay
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

COMPLIANCE CONSULTANT

First Shanghai Capital Limited

INVESTOR RELATIONS CONTACT

ir@sharpsuccess.cn

SHARE INFORMATION

Listing Place: Main Board
Board Lot: 2,000 Shares
Stock Code: 1451

COMPANY WEBSITE

www.mainsuccess.cn

FINANCIAL HIGHLIGHTS

KEY FINANCIAL INFORMATION FOR THE LAST FIVE FINANCIAL YEARS

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000
Revenue	293,746	248,510	262,279	233,195	225,750
Cost of sales	(207,405)	(166,646)	(178,085)	(158,698)	(146,073)
Gross profit	86,341	81,864	84,194	74,497	79,677
Selling expenses	(19,137)	(17,405)	(26,380)	(31,784)	(22,532)
Administrative expenses	(37,403)	(43,121)	(40,713)	(32,600)	(27,424)
Other income	333	2,473	1,912	858	1,285
Other (losses)/gains, net	(893)	(1,766)	(362)	(700)	(339)
Listing expenses	—	—	—	(8,827)	(6,462)
Finance (expenses)/income, net	(185)	(68)	(591)	(190)	13
Share of result of associates	(5,089)	—	—	—	—
Profit before taxation	23,967	21,977	18,060	1,254	24,218
Taxation	(8,555)	(7,976)	(5,441)	(4,374)	(6,720)
Profit/(Loss) for the year	15,412	14,001	12,619	(3,120)	17,498
	As at 31 December				
	2021	2020	2019	2018	2017
	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000
Total assets	255,771	238,856	200,955	217,447	162,188
Total liabilities	52,691	55,776	37,864	65,153	60,154
Net assets	203,080	183,080	163,091	152,294	102,034

MANAGEMENT DISCUSSION AND ANALYSIS

CHAIRMAN'S STATEMENT AND BUSINESS REVIEW

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of the Group for the year ended 31 December 2021.

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.

Management Discussion and Analysis

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.

ACKNOWLEDGEMENT

On behalf of the Group, I would like to thank all of the dedicated employees of the Group for their unwavering loyalty, diligence, professionalism and invaluable contributions throughout the year of 2021. I wish to take this opportunity to express my sincere appreciation and gratitude to all of the customers and Shareholders of the Company for their continuous support and recognition of the aspirations and strategies of the Group.

Chau Ching

Chairman

Management Discussion and Analysis

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 share of 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.

Management Discussion and Analysis

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 annual report.

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 17 to the consolidated financial statements of the Group in this annual report.

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 annual report, 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 annual report.

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.

Management Discussion and Analysis

EVENTS AFTER THE YEAR

As at the date of this annual report, 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:

Use of net proceeds	Net proceeds from the Listing HK\$ million	Actual utilisation up to 31 December 2021 HK\$ million	Unutilised amounts as at 31 December 2021 HK\$ million
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	3.2
Improve product development capabilities	8.8	1.8	7.0
Working capital and administrative expenses	3.8	3.8	—
Total	48.6	38.4	10.2

As shown in the above table, the total unutilised amount of the net proceeds was approximately HK\$10.2 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 tradeshow) 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.

Management Discussion and Analysis

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	48.6	38.5	10.1	10.1	

With reference to the UOP Announcement, the unutilised net proceeds were originally intended for (i) the strengthening of client base, such as participating in tradeshows 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

Management Discussion and Analysis

- 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 27 to the consolidated financial statements of the Group in this annual report.

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.

Management Discussion and Analysis

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 customers 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 Yo Yo 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.

Management Discussion and Analysis

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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chau Ching (周青), aged 68, was appointed as a Director on 9 March 2017 and was re-designated as executive Director on 31 August 2017 and is the chairman of the Board, the chairman of the nomination committee of the Company and the founder of the Group. He is responsible for overseeing and implementing the Group's strategy and managing the OEM Business. In 2007, Mr. Chau founded Main Success and had since served as its director till now. Mr. Chau is one of the controlling Shareholders. For Mr. Chau's interest in the Shares within the meaning of Part XV of the SFO, please refer to the section headed "Report of the Directors" in this annual report. Mr. Chau is the father of Mr. Chau Wai, the cousin-in-law of Mr. Chung and uncle of Mr. Chung Leonard Shing Chun.

Mr. Chau has more than 20 years of experience in the manufacturing industry. Mr. Chau founded Sharp Success Enterprises Limited in 1995 which was principally engaged in the toy manufacturing business. Subsequently, Sharp Success Enterprises Limited left the toy manufacturing business and in 2011 became a property holding company.

Mr. Chung Kwok Keung Peter (鍾國強), aged 68, was appointed as a Director on 9 March 2017 and was re-designated as executive Director on 31 August 2017 and is the chief executive officer of the Group. He is primarily responsible for directing the overall management and strategic planning and supervision of operations of the Group. He joined the Group in August 2012.

Mr. Chung is a director of Main Success and On Gain Development Limited, both are indirect wholly-owned subsidiaries of the Company. Mr. Chung is one of the controlling Shareholders. For Mr. Chung's interest in the Shares within the meaning of Part XV of the SFO, please refer to the section headed "Report of the Directors" in this annual report. Mr. Chung is the father of Mr. Chung Leonard Shing Chun, cousin-in-law of Mr. Chau and uncle of Mr. Chau Wai.

Mr. Chung has accumulated more than 30 years of experience in the manufacturing industry. He co-founded Racing Champions Limited in 1989, which focused on manufacturing die-cast race car miniatures under the National Association for Stock Car Auto Racing (NASCAR) brand license, and served as its director. Racing Champions Limited sold its business assets to Banerjan Company Limited (now known as TOMY (Hong Kong) Limited, a major customer of the Group), which was then wholly-owned by Racing Champions Corporation, in 1996. Racing Champions Corporation was renamed as RC2 Corporation in 2003, the shares of which were listed on the Nasdaq Global Select Market and was acquired by Tomy Company, Ltd in 2011. He served as a director of Racing Champions Corporation from 1996 to 2008 and joined Baird Capital and worked as an operating partner from 2003 to 2014. He was also the chairman of Baird Asia Limited from 2004 to 2010. During the time, he was also instrumental in starting and overseeing Baird's regional office in Hong Kong and Shanghai, the PRC.

He served as an independent non-executive director of StarGlory Holdings Company Limited (formerly known as New Wisdom Holding Company Limited and Epicurean and Company, Limited) (stock code: 8213), a company listed on GEM for the period from 18 February 2010 to 8 November 2016.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chung Leonard Shing Chun (鍾丞晉), (with former name Chung Wai Hang Leonard) aged 34, was appointed as a Director on 9 March 2017 and was re-designated as executive Director on 31 August 2017. Mr. Leonard Chung is responsible for managing the corporate development and investor relations functions of the Group. He is the director of strategy and development of Main Success. Mr. Leonard Chung is the son of Mr. Chung, nephew of Mr. Chau and cousin of Mr. Chau Wai.

Prior to joining the Group in 2016, Mr. Leonard Chung worked in Baird Asia Limited as a financial analyst from 2010 to 2012. He held positions until present as the director of investments in Racing Champions Limited (a company wholly-owned by Mr. Chung and his spouse) since 2012, and the managing partner in Enclave Audio Limited since 2014. He obtained a bachelor's degree of science in business administration from the Washington University in St. Louis in 2009.

Mr. Chau Wai (周煒), (with former Chinese name 周煒) aged 34, was appointed as a Director on 9 March 2017 and was re-designated as executive Director on 31 August 2017. He is responsible for formulating development strategies, overseeing the administration, sales and marketing functions of the "Yo Yo Monkey" brand of the Group. Mr. Chau Wai is the son of Mr. Chau, nephew of Mr. Chung and cousin of Mr. Chung Leonard Shing Chun.

Since Mr. Chau Wai joined the Group, he has worked as the manager of sales and marketing in Main Success in which he was responsible for expanding the customer base and the advertising functions of the Group from 2009 to 2012. He then worked as the director of sales and marketing in Main Success and the general manager of Anyu Baby, which is an indirect wholly owned subsidiary of the Company, from 2012 until now. As a general manager in Anyu Baby, he is primarily responsible for the operation management, administration and sales of the business. He obtained a bachelor's degree of science in hotel administration from the University of Nevada in 2008 prior to joining the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Hon To David (俞漢度), aged 73, was appointed as an independent non-executive Director on 15 May 2018. He is also the chairman of the audit committee and a member of the remuneration committee and the nomination committee of the Company. Mr. Yu presently serves as an independent non-executive director of several companies listed on the Main Board including China Resources Gas Group Limited (stock code: 1193), Keck Seng Investments (Hong Kong) Limited (stock code: 0184), One Media Group Limited (stock code: 0426) and, on 5 March 2021, Mr. Yu was appointed as a Non-executive Director of Haier Smart Home Co., Ltd. which is listed on the Shanghai Stock Exchange (stock code: 600690.SH) and the Main Board of the Stock Exchange (stock code: 6690). He resigned as an independent non-executive director of Haier Electronics Group Co., Limited (stock code: 1169) on 24 December 2020 which was privatised and delisted from the Stock Exchange on 23 December 2020. Mr. Yu retired as an independent director of Playmates Holdings Limited (stock code: 635), and was appointed as an independent non-executive director of Playmates Toys Limited (stock code: 869) effective from 21 May 2021. He resigned as an independent non-executive director of Media Chinese International Limited (stock code: 685) effective from 1 July 2021. With effect from 1 September 2021, Mr. Yu resigned as an independent non-executive director of New Century Asset Management Limited, the Manager of New Century Real Estate Investment Trust (NCREIT) (stock code: 1275). He has also resigned as an independent non-executive director of China Renewable Energy Investment Limited (stock code: 987) with effect from 1 January 2022.

Mr. Yu obtained a bachelor's degree in social science from The Chinese University of Hong Kong in 1971. He was a partner of an international accounting firm. He has extensive experience in the fields of corporate finance, auditing and corporate management. Mr. Yu is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants.

Biographical Details of Directors and Senior Management

Mr. Seto John Gin Chung (司徒振中), aged 73, was appointed as an independent non-executive Director on 15 May 2018. He is also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company. Mr. Seto obtained a master's degree in business administration from the New York University in 1973.

Mr. Seto presently serves as an independent non-executive director of several companies listed on the Main Board including Kowloon Development Company Limited (stock code: 0034) and Pokfulam Development Company Limited (stock code: 0225). Mr. Seto resigned as an independent non-executive director and the chairman of the board of Hop Hing Group Holdings Limited (stock code: 0047) on 15 February, 2022, which was privatized and delisted from the Stock Exchange on 27 January 2022.

Mr. Seto served as an executive director of Pacific Eagle Asset Management Limited for the period from January 2006 to December 2019.

Mr. Seto has over 40 years of experience in the securities and futures industry which includes his services as the chief executive officer in HSBC Broking Services (Asia) Limited, a non-executive director of Hong Kong Exchanges and Clearing Limited, a council member of the Stock Exchange and the first vice chairman of the Stock Exchange.

Mr. Asvaintra Bhanusak (馬清源), aged 77, was appointed as an independent non-executive Director on 15 May 2018. He is also a member of the audit committee and the remuneration committee of the Company. He is currently an independent non-executive director of Dickson Concepts (International) Limited (stock code: 0113), a company listed on the Main Board.

Mr. Asvaintra held various senior executive positions in the banking industry with the Chase Manhattan Bank group in New York, Hong Kong and Singapore in the 1970s. In 1980, Mr. Asvaintra joined the Charoen Pokphand group of companies and retired as the chief executive officer in 1998.

Mr. Asvaintra received his bachelor's degree in science from the Wharton Business School, University of Pennsylvania in May 1968 and a master's degree in business administration from the University of Chicago in June 1970.

SENIOR MANAGEMENT

Mr. Cheung Chor Yin (張楚然), aged 55, was appointed as the chief operating officer of the Group in June 2017. Mr. Cheung is primarily responsible for product engineering development and supervising the sales and marketing and quality assurance functions of the Group. He joined the Group in August 2010. Mr. Cheung has experience of over 20 years in the design, engineering and manufacturing business. Mr. Cheung worked as the engineering director in Sunrise Industrial Limited from 2008 to 2009. In the years between 1993 and 2007, he worked at Funrise Toy Limited. He was the vice president in research and design from 1998 to 2007, the engineer director from 1997 to 1998, the engineering manager from 1996 to 1997 and the project engineer from 1993 to 1995. Mr. Cheung obtained his higher certificate in manufacturing engineering from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1993 and his diploma in mechanical engineering in July 1988 from Kwai Chung Technical Institute (now known as Hong Kong Institute of Vocational Education (Kwai Chung)).

Biographical Details of Directors and Senior Management

Mr. Ko Kam On (高錦安), aged 42, was appointed as the chief financial officer and the company secretary of the Group on 3 January 2017. Mr. Ko graduated from The Hong Kong Polytechnic University with a bachelor degree in accountancy and is a fellow member of the Association of Chartered Certified Accountants. He is also the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. He has over 15 years of professional experience in financial management and administration. He is also an associate and registered tax adviser of the Taxation Institute of Hong Kong, Registered Financial Planner and the initial HKRFP of the Society of Registered Financial Planners, Diploma in commercial fraud from the Society of Business Practitioners, Certified Merger and Acquisition Specialist from the Institute of Financial Consultants in Canada and the US and a certified risk planner from the institute of Crisis and Risk Management. He also obtained a master's degree in business administration from Holmes Institute in 2014 and a master degree in laws from University of Greenwich, the United Kingdom in 2021.

COMPANY SECRETARY

Mr. Ko Kam On is the company secretary of the Company. He is also the chief financial officer of the Group. Please refer to the above paragraph for details of his biographical information.

CORPORATE GOVERNANCE REPORT

The Board recognises the importance of incorporating elements of good corporate governance into the management structure and the risk management and internal control procedures of the Group so as to ensure that all business activities of the Group and the decision making process are properly regulated.

For the year ended 31 December 2021, the Company had applied the principles and complied with the code provisions in the CG Code.

BOARD OF DIRECTORS

The Board is responsible for governing the Group and managing assets entrusted by the Shareholders. Its principal responsibilities include formulating the Group's business strategies and management objectives, monitoring and overseeing the performance of the Group, setting the Group's values and standards and ensuring that a prudent and effective framework of risk management and internal control is in place.

COMPOSITION

The Board currently comprises four executive Directors and three independent non-executive Directors, whose biographical details and relationships among the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 15 to 18 of this annual report. The composition of the Board is as follows:

Executive Directors

Mr. Chau Ching (*Chairman*)
Mr. Chung Kwok Keung Peter (*Chief Executive Officer*)
Mr. Chau Wai
Mr. Chung Leonard Shing Chun

Independent Non-Executive Directors

Mr. Asvaintra Bhanusak
Mr. Seto John Gin Chung
Mr. Yu Hon To David

The composition of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operation and development of the Group.

All Directors are aware of their collective and individual responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, contributing to the successful performance of the Group.

Corporate Governance Report

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For holding of other Board and committee meetings, reasonable notice have been given to the Directors in general. The agenda and accompanying Board papers are despatched to the Directors or committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. If Directors or committee members are unable to attend a meeting, we will ensure that they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of the Board meetings and committees meetings are recorded in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meetings and committees meetings are sent to the relevant Directors for comments within a reasonable time after the date on which the meeting is held.

During the year ended 31 December 2021, the Board discussed and reviewed the audited annual results and report for the year ended 31 December 2020 and the unaudited interim results and report for the six months ended 30 June 2021, the business and financial performance of the Company, as well as the engagement of external professional service providers to review the Group's risk management and internal control systems.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary of the Company, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director is entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

RELATIONSHIP BETWEEN THE MEMBERS OF THE BOARD

Save as disclosed in the section headed "Biographical Details of Directors and Senior Management" of this annual report, none of the members of the Board has any relationship (including financial, business, family or other material/relevant relationship) among each other.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

To ensure a balance of power and authority, the roles of the chairman of the Board and the chief executive officer of the Company are clearly segregated.

The chairman of the Board is Mr. Chau Ching and his principal role is to provide leadership for the Board on the Group's strategic planning, ensure proper proceedings of the Board and encourage all Directors to have full and active contributions to the Board's affairs. At the same time, the chairman ensures that good corporate governance practices and procedures are established. Moreover, the chairman at least annually holds meetings with the independent non-executive Directors without the presence of other Directors and management.

The chief executive officer of the Company is Mr. Chung Kwok Keung Peter, supported by other executive Directors and the management. His principal role is to direct the overall management and strategic planning and supervision of operations of the Group.

RESPONSIBILITIES, ACCOUNTABILITY AND CONTRIBUTION OF THE BOARD AND THE MANAGEMENT

The management of the Company is led by the executive Directors and has been delegated power and authorities to carry out the day-to-day operations of the Group; formulate business policies and make decision on key business issues; and exercise power and authority delegated by the Board from time to time. The delegated power and authorities are periodically reviewed by the Board. The management assumes full accountability to the Board for the operations of the Group.

The Board had given clear directions to the management, while certain matters (including but not limited to the following) must be reserved to the Board for its approval:

- (i) publication of final and interim results of the Company;
- (ii) decisions on whether or not to declare, recommend and pay dividend;
- (iii) changes to major group structure or Board composition;
- (iv) notifiable or connected transactions within the meaning of Chapters 14 and 14A of the Listing Rules; and
- (v) other significant financial and operational matters and matters specifically set out in the Listing Rules which require approval at a full Board meeting.

MODEL CODE

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code in Appendix 10 to the Listing Rules. Having made specific enquiries to all Directors, they have all confirmed that they had complied with the required standards as set out in the Model Code for the year ended 31 December 2021.

All Directors and certain relevant employees (who are likely to be in possession of unpublished inside information of the Company) are also reminded not to deal in the securities of the Company within 30 days and 60 days before the publication of the interim and annual results announcements, respectively, and they are prohibited to make use of any inside information to deal in the securities of the Company.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director will receive comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Group and that he is fully aware of his responsibilities and obligations as a Director under the Listing Rules and relevant regulatory requirements.

Directors are continually updated on the developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities.

Corporate Governance Report

During the year ended 31 December 2021, all Directors (Mr. Chau Ching, Mr. Chau Wai, Mr. Chung Kwok Keung Peter, Mr. Chung Leonard Shing Chun, Mr. Seto John Gin Chung, Mr. Asvaintra Bhanusak and Mr. Yu Hon To David) have participated in continuous professional development by attending seminars and reading materials on topics related to the Group's business, corporate governance, continuing obligations of listed companies and directors, and/or updates on rules and regulations.

DIVIDEND POLICY

The Company has adopted a dividend policy, pursuant to which the Board and the Company may declare dividends subject to the Cayman Islands Companies Law and the articles of association of the Company. The amount of dividends to be declared and paid are based upon, among other things, the Group's general business conditions, financial results, capital requirements and liquidity position, interests of the Shareholders, statutory and regulatory restrictions and any other factors which the Board may deem relevant.

INSIDE INFORMATION POLICY

The Board had adopted an inside information policy in 2018 which contains guidelines to the Directors, officers and certain relevant employees of the Group to ensure that inside information of the Group can be promptly identified, assessed and disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations. The Company must disclose inside information to the public as soon as reasonably practicable, unless the "safe harbour" provisions under the SFO apply. The Board will take reasonable precautions in preserving the confidentiality of inside information before publication of the relevant announcement (if applicable).

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent non-executive Directors serve the function of bringing independent judgement to the development, performance and risk management of the Group. Each of the independent non-executive Directors has been appointed for a term of three years and subject to retirement by rotation at least once every three years.

Mr. Yu Hon To David, Mr. Seto John Gin Chung and Mr. Asvaintra Bhanusak have been the independent non-executive Directors since 2018. All of them are not involved in the daily management of the Company nor in any relationships which would interfere with the exercise of their independent judgement.

The Board has received from each of them a confirmation of independence according to Rule 3.13 of the Listing Rules and considers that the independent non-executive Directors to be independent for the year ended 31 December 2021.

COMMITTEES OF THE BOARD

Certain committees have been set up under the Board to supervise the management and administrative functions of the Group. They include:

Audit Committee

The Company established its audit committee on 15 May 2018 (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The main duties of the Audit Committee include, *inter alia*, (1) reviewing the relationship of the external auditor and the Group and making recommendations to the Board on the appointment, re-appointment and removal of external auditor and its remuneration and terms of engagement; (2) reviewing the financial statements and reports and considering any significant or unusual items raised by the external auditor; (3) reviewing the adequacy and effectiveness of the Company’s financial reporting system, internal control and risk management system, etc.; and (4) overseeing the corporate governance function.

During the year ended 31 December 2021, the Audit Committee reviewed the audited annual results and report for the year ended 31 December 2020, the unaudited interim results and report for the six months ended 30 June 2021, and the Group’s financial and accounting policies and practices; and discussed the engagement of external professional service providers to review the risk management and internal control systems and the environmental, social and governance report of the Group.

Members of the Audit Committee comprise Mr. Yu Hon To David (Chairman), Mr. Seto John Gin Chung and Mr. Asvaintra Bhanusak, all of whom are independent non-executive Directors.

Nomination Committee

The Company established its nomination committee on 15 May 2018 (the “**Nomination Committee**”) with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee include, *inter alia*, the following:

- (a) to review the structure, size, composition and diversity of the Board and make recommendations on any proposed changes;
- (b) to identify individuals suitably qualified to become Board members;
- (c) to assess the independence of independent non-executive Directors; and
- (d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

Board diversity policy

The Board adopted a board diversity policy which sets out its approach to achieve diversity on the Board. The Board sets measurable objectives to implement the board diversity policy and reviews such objectives from time to time.

Board diversity has been considered from a number of perspectives, including skills, regional and industry experience, background, race, gender and other qualities. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Corporate Governance Report

The Board is currently diversified in terms of, amongst others, age, skill, regional and industry experience and background. For instance, (i) Mr. Chau and Mr. Chung are in their sixties with decades of experience in the manufacturing industry, whereas Mr. Chung Leonard Shing Chun and Mr. Chau Wai are in their thirties and had graduated from universities in the United States; and (ii) the independent non-executive Directors are experienced in, among other areas, the accounting and/or finance industries. For further details of the profile of each of the members of the Board, please refer to the section headed “Biographical details of directors and senior management” in this annual report.

As disclosed in the environmental, social and governance reports published by the Company, the majority of the employees of the Group are female. Nonetheless, the Group has been looking forward to enhancing gender diversification at the Board level, where the Group currently expects to appoint at least one female Director in the upcoming period and no later than 31 December 2024. The Group is in the process of identifying and assessing suitable candidates for such appointment, which is expected to be through either internal promotion or external hiring.

The Nomination Committee reviews and monitors the implementation of the board diversity policy on an annual basis.

Nomination policy

The Board had also adopted a nomination policy on 17 December 2018 (the “**Nomination Policy**”) which sets out the nomination procedures for selecting candidates for election as Directors. Such policy was managed by the Nomination Committee.

A summary of the Nomination Policy is set out as follows:

- The Nomination Committee will assess the suitability of a proposed candidate by considering factors such as the reputation for integrity, the accomplishment and experience in the Company’s related businesses, the commitment in respect of available time and relevant interest of the candidate and diversity, etc.
- The Nomination Committee will then nominate suitable candidates to the Board (i) for it to consider and make recommendations to the Shareholders for election as Directors at general meetings; or (ii) for appointment as Directors to fill casual vacancies.

During the year ended 31 December 2021, the Nomination Committee reviewed the structure, size, composition and diversity of the Board, the independence of independent non-executive Directors, re-election of Directors, the Company’s board diversity policy and the Nomination Policy.

Members of the Nomination Committee comprise Mr. Chau (Chairman), who is an executive Director, and Mr. Yu Hon To David and Mr. Seto John Gin Chung, both of whom are independent non-executive Directors.

Remuneration Committee

The Company established its remuneration committee on 15 May 2018 (the “**Remuneration Committee**”) with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary duties of the Remuneration Committee include, inter alia, reviewing the management’s remuneration proposals, making recommendations to the Board on the remuneration package of the Directors and senior management and ensuring none of the Directors determines his own remuneration.

During the year ended 31 December 2021, the Remuneration Committee had reviewed the remuneration of Directors and senior management and the Company’s remuneration policy. Details of the amount of emoluments of Directors for the year ended 31 December 2021 are set out in note 11 to the consolidated financial statements in this annual report.

Members of the Remuneration Committee comprise Mr. Seto John Gin Chung (Chairman), Mr. Yu Hon To David and Mr. Asvaintra Bhanusak, all of whom are independent non-executive Directors.

The remuneration by band of the members of the senior management for the year ended 31 December 2021 is set out below:

	Number of senior management	
	2021	2020
Remuneration band		
Nil – HK\$1,000,000	—	—
HK\$1,000,001 – HK\$2,000,000	2	2

ATTENDANCE OF MEETINGS

The Board held regular Board meetings, Remuneration Committee meetings, Nomination Committee meetings and Audit Committee meetings to discuss the Group’s businesses, operations, development and conduct. All important issues were discussed in a timely manner. The attendance record of each Director, who held office in 2021, at the aforesaid meetings held for the year ended 31 December 2021 is set out below:

Number of meetings attended/eligible to attend

Name of Director	Board meeting	Remuneration	Nomination	Audit	AGM ⁽⁷⁾
		Committee meeting	Committee meeting	Committee meeting	
Executive Directors					
Mr. Chau ⁽⁴⁾	4/4	N/A	1/1	N/A	1/1
Mr. Chung	4/4	N/A	N/A	N/A	1/1
Mr. Chau Wai	4/4	N/A	N/A	N/A	1/1
Mr. Chung Leonard Shing Chun	4/4	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Mr. Seto John Gin Chung ^(2, 3, 5)	4/4	2/2	1/1	2/2	1/1
Mr. Asvaintra Bhanusak ^(1, 5)	4/4	2/2	N/A	2/2	1/1
Mr. Yu Hon To David ^(1, 3, 6)	4/4	2/2	1/1	2/2	1/1

Corporate Governance Report

Notes:

1. Members of the Remuneration Committee
2. Chairman of the Remuneration Committee
3. Members of the Nomination Committee
4. Chairman of the Nomination Committee
5. Members of the Audit Committee
6. Chairman of the Audit Committee
7. AGM was held on 7 June 2021

COMPANY SECRETARY

Mr. Ko Kam On, the company secretary of the Company, is a full time employee and the chief financial officer of the Group. During the year ended 31 December 2021, Mr. Ko confirmed that he had complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. His biographical details are set out in the section headed “Biographical Details of Directors and Senior Management” of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for maintaining an adequate system on risk management and internal controls of the Group and, on an annual basis, reviewing the effectiveness of it. The Board is committed to implement an effective risk management and internal control system to safeguard the interests of the Shareholders and the Company’s assets. To achieve this, the Board engaged a third-party consultant to perform the internal audit function of the Group and review the Group’s risk management and internal control systems.

The Group’s internal control is designed to provide reasonable and not absolute assurance against material misstatement or loss and to mitigate rather than eliminate risks of failure in operational systems and fulfilment of business objectives. The Group has established internal control to help the business operations to achieve the Group’s business objectives, to safeguard the Group’s assets, to ensure business operations complying with applicable laws and regulations, and to ensure the maintenance of proper accounting records and the reliability of financial information reported by the business operations.

The internal control process is accomplished by the Board, the management team and other designated staff, and is designed to provide reasonable assurance regarding the achievement of objectives.

The approach adopted in assessing the internal control systems is based on those set by the Committee of Sponsoring Organisations of the Treadway Commission, a globally recognised framework which categorises internal controls into five components as the basis of reviewing its effectiveness, namely (i) control environment, (ii) risk assessment, (iii) information and communication, (iv) control activities; and (v) monitoring. In assessing the internal control system based on the above principles, the Group has taken into consideration of the nature of business as well as the organisation structure. The system is designed to manage the risk rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The system is designed further to safeguard the Group’s assets, maintain appropriate accounting records and financial reporting, maintain efficiency of operations and ensure compliance with applicable laws and regulations.

The methodology of the Group's internal controls system for its risk assessment comprises four core stages as shown below. The process is performed on an annual basis to address changes in the Group's business environment.



Ongoing communication, monitoring and review

The Board as supported by the Audit Committee, assessed the effectiveness of the risk management and internal control systems by engaging an independent professional consultant (the “**Consultant**”) to review the effectiveness and adequacy of the risk management and internal control systems (covering all material controls, including financial, operational and compliance controls) for the year ended 31 December 2021. All audit findings were reported and communicated to the Audit Committee, Directors and senior management. Appropriate recommendations for further enhancing the internal control systems were proposed to management and had been adopted as management thought fit. Audit issues were tracked and followed up for proper implementation, with progress reported to the Audit Committee, Directors and senior management on a regular basis. The Directors considered that the risk management and internal control system (including but not limited to the processes for financial reporting and Listing Rule compliance) for the year ended 31 December 2021 were generally effective and adequate.

The Audit Committee also reviewed the adequacy of resources, qualifications, experience, training programme of the Group's accounting and financial reporting staff and considered they were adequate in carrying out their roles and responsibilities.

Inside information dissemination and control measures

The Company has maintained internal guidelines for ensuring that inside information is disseminated to the public in an equal and timely manner in accordance with the applicable laws and regulations. Access to inside information is at all times confined to relevant employees of the Group (mainly Directors and senior management). Relevant employees and other professional parties involved are reminded to preserve confidentiality of the inside information until it is publicly disclosed. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential.

FINANCIAL REPORTING

Responsibilities in respect of financial statements

The Board acknowledges its responsibility for preparing the financial statements of the Group. In preparing the financial statements, the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) have been adopted. The principal accounting policies, adopted for the preparation of financial statements of the Group are set out in note 2 to the consolidated financial statements of the Group in this annual report. The reporting responsibility of the Company's external auditor on the financial statements of the Group is set out in the independent auditor's report on pages 43 to 47 of this annual report.

Corporate Governance Report

Auditor's remuneration

In addition to audit services, the Company engaged its external auditor, PricewaterhouseCoopers, for non-audit services, under which the external auditor is required to comply with the independence requirements under the Code of Ethics for Professional Accountants issued by the HKICPA.

During the year ended 31 December 2021, fees paid or payable to the external auditor are set out as follows:

Nature of services	HK\$'000
Audit services	936
Non-audit services	818
Total	1,754

Non-audit services include internal control review, transfer pricing review and review of the interim report, continuing connected transactions and annual results announcement.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

Communication with Shareholders

The Company had established a shareholders' communication policy in 2018 and shall review it on a regular basis to ensure its effectiveness. The Company communicates with the Shareholders mainly in the following ways:

- the holding of annual general meeting and extraordinary general meetings (if any, which may be convened for specific purposes), which provide opportunities for the Shareholders to communicate directly to the Board;
- the publication of announcements, annual reports, interim reports and circulars on the websites of the Company and the Stock Exchange;
- the publication of press releases of the Company providing updated information of the Group;
- the availability of latest information of the Group on the Company's website;
- the holding of investor/analyst briefings and media conference from time to time; and
- meeting with investors and analysts on a regular basis.

Procedures for Shareholders to convene an extraordinary general meeting (“EGM”)

Pursuant to article 58 of the articles of association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by depositing at the headquarter of the Company in Hong Kong written requisition to the Board or the company secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene an EGM, the requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company.

Voting by poll

The articles of association of the Company set out the procedures and requirements for voting by poll. Pursuant to Rule 13.39 of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

The poll results will be published on the websites of the Company and the Stock Exchange as soon as possible after conclusion of the relevant general meeting.

Enquiries and proposals from Shareholders

Shareholders are welcomed to send their enquiries and concerns or put forward proposals at general meetings by writing to the Board addressing to the company secretary of the Company through the following channels:

- (a) by mail to the Company’s headquarter at Room 907, 9/F., Enterprise Square Tower 1, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong;
- (b) by email at ir@sharpsuccess.cn; or
- (c) by fax at +852 23051528.

Changes to constitutional document

During the year ended 31 December 2021, there was no amendment to the Company’s constitutional document, and such document was published on the websites of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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 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)”, principally for the PRC market.

An analysis of the Group’s performance for the year ended 31 December 2021 by business and geographical segments is set out in note 6 to the consolidated financial statements under this annual report.

BUSINESS REVIEW

General

A review of the business of the Group in 2021, particulars of important events that have occurred since the end of the financial year and a discussion on the Group’s future business development are set out in the sections headed “Management discussion and analysis” on pages 4 to 14 of this annual report.

Principal risks and uncertainties

A number of factors affecting the results and business operations of the Group are set out in the section headed “Management discussion and analysis” on pages 4 to 14 of this annual report.

Financial results and analysis of key financial performance indicators

The results of the Group for the year ended 31 December 2021 are set out in the consolidated income statement on page 48 of this annual report.

The key financial information of the Group for the last five financial years and the key financial performance indicators of the Group are set out on pages 3 to 14 of this annual report.

Environmental policies

The Group is committed to building an environmental-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimise environmental impact by saving electricity and encouraging recycle of office supplies and other materials. The Group also requires its production facilities under the OEM Business to operate in strict compliance with the relevant environmental regulations and rules.

Compliance with laws and regulations

The Group’s production and operation are mainly carried out by the Company’s subsidiaries in the PRC. The head office in Hong Kong is mainly handling brand design and management and administration work of the Group. The Company itself is listed on the Stock Exchange. The establishment and operations of the Group accordingly shall comply with relevant local laws and regulations. During the year ended 31 December 2021 and up to the date of this annual report, the Group had complied with relevant local laws and regulations applicable to it in all material respects.

Business activities in Countries subject to International Sanctions

During the year ended 31 December 2021, a portion of the products of the Group were sold and/or delivered to certain Countries subject to International Sanctions, namely Lebanon and Russia on free on board (FOB) or free carrier (FCA) basis. The revenue derived from products sold and/or delivered to Countries subject to International Sanctions for the year ended 31 December 2021 amounted to approximately HK\$1.7 million (2020: approximately HK\$0.9 million), representing approximately 0.6% of the total revenue of the Group (2020: approximately 0.4%). The revenue derived from products sold and/or delivered to Russia for the year ended 31 December 2021 amounted to approximately HK\$1.1 million (2020: approximately HK\$0.7 million), representing approximately 0.4% of the total revenue of the Group (2020: approximately 0.3%).

The Group had not been notified of any International Sanctions that would be imposed on the Group for sales and/or deliveries to the Countries subject to International Sanctions for the year ended 31 December 2021. The Group expects to continue to sell and/or deliver products to Countries subject to International Sanctions, although the Directors do not expect any material increase in the sales or deliveries of the Group to these countries.

The Group would not enter into any transaction to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Countries subject to International Sanctions or Sanctioned Persons where this would be in breach of the International Sanctions.

The Directors believe that the Group has a reasonably adequate and effective internal control framework to continue to assist the Group in identifying and monitoring any material risk relating to International Sanctions so as to protect the interests of the Company and the Shareholders.

Key relationships

The Group endeavours to maintain sustainable development in the long term, continuously creating value for its employees and customers, and foster good relationship with its suppliers.

The Group understands that employees are its valuable assets and the realisation and enhancement of employees' value will facilitate the achievement of the Group's overall goals. A comprehensive range of fringe benefits is offered to attract, retain and motivate employees.

The Group also understands the importance of maintaining good relationships with its suppliers and customers to the overall development of the Group and to ensure that they can share their commitment to product quality. Suppliers are carefully selected and they are required to satisfy certain criteria including track record, experience, reputation, ability to produce high-quality products and quality control effectiveness. To maintain the competitiveness of its products and brands, the Group commits itself to consistently provide quality products to its customers.

During the year ended 31 December 2021, the Group had committed to maintain the relationship with its employees and the turnover rate was acceptable and there was no significant and material dispute with its suppliers and customers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Please refer to the environmental, social and governance report which the Group publishes separately on an annual basis in accordance with the Listing Rules.

Report of the Directors

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 22 to the consolidated financial statements of the Group under this annual report.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year ended 31 December 2021 are set out in note 29 to the consolidated financial statements and in the consolidated statement of changes in equity on page 52 of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2021, the reserve available for distributions to the Shareholders was approximately HK\$49,325,000 (2020: approximately HK\$52,475,000). Details of movements in the distributable reserves of the Company are set out in note 29 to the consolidated financial statements of the Group under this annual report.

DONATIONS

During the reporting period, the Company and its subsidiaries made charitable donations of approximately HK\$12,000.

EQUITY-LINKED AGREEMENTS

Apart from the Share Option Scheme as disclosed in the section headed "Share Option Scheme" below, no equity-linked agreement was entered into by the Company during the year or subsisted as at 31 December 2021.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company and there is no restriction against such rights under the laws of the Cayman Islands where the Company was incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

DIVIDENDS

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

CLOSURE 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.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements under this annual report.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

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.

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 December 2021 are set out in note 11 to the consolidated financial statements under this annual report. There has been no arrangement under which any Director has waived or agreed to waive any emoluments.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

The Directors are not aware of any business or interest of the Directors nor the controlling Shareholders nor any of their respective close associates that compete or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 December 2021 and up to the date of this annual report.

Report of the Directors

Each of the controlling Shareholders had entered into the deed of non-competition with the Company as detailed in the section headed “Relationship with our controlling shareholders” in the Prospectus (the “**Deed of Non-Competition**”). Each of the controlling Shareholders had provided written confirmation and made an annual declaration on their compliance with the Deed of Non-Competition for the year ended 31 December 2021. Based on the information and confirmation provided by or obtained from the controlling Shareholders, the independent non-executive Directors have reviewed the compliance and enforcement of the Deed of Non-Competition and were satisfied that the Deed of Non-Competition was duly complied with and enforced for the year ended 31 December 2021.

DIRECTORS’ AND CONTROLLING SHAREHOLDERS’ INTEREST IN TRANSACTION, ARRANGEMENT AND CONTRACTS

Save for the related party transactions disclosed in note 28 to the consolidated financial statements of the Group, (i) no transaction, arrangement or contract of significance in relation to the Group’s business to which the Company, its controlling Shareholders or any of their respective subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted as at the end of 31 December 2021 or at any time during such financial year; and (ii) no contract of significance had been entered into among the Company or any of its subsidiaries and the controlling Shareholders or any of their subsidiaries during the year ended 31 December 2021.

DIRECTORS

The Directors during the year ended 31 December 2021 and up to the date of this annual report were:

Executive Directors

Mr. Chau Ching (*Chairman*)
Mr. Chung Kwok Keung Peter (*Chief Executive Officer*)
Mr. Chau Wai
Mr. Chung Leonard Shing Chun

Independent non-executive Directors

Mr. Asvaintra Bhanusak
Mr. Seto John Gin Chung
Mr. Yu Hon To David

According to articles 84(1) and 84(2) of the articles of association of the Company, Mr. Chau Wai, Mr. Asvaintra Bhanusak and Mr. Seto John Gin Chung, shall retire at the forthcoming annual general meeting of the Company by rotation and be eligible to offer themselves for re-election.

Each of the independent non-executive Directors had made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

PERMITTED INDEMNITY PROVISION

According to article 164 of the articles of association of the Company, the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses for any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts, provided that the indemnity shall not extend to any fraud or dishonesty which may attach to them.

The Company has maintained appropriate insurance cover for the Directors and its officers in respect of potential legal actions that may occur in the course of performing their duties.

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 15 to 18 of this annual report.

CHANGE IN INFORMATION OF DIRECTORS

Save as disclosed in this annual report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules for the year ended 31 December 2021.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has a service contract with the Company for a term of three years which may be terminated by either party in accordance with the respective terms of the service contract. Under the service contracts, each of the executive Directors is entitled to an annual discretionary management bonus in respect of each completed financial year as the Board may approve.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company with a fixed term of office for three years which may be terminated by either party in accordance with the respective terms of the letter of appointment.

None of the Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive has taken or deemed to have under such provisions of the SFO) and were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in the Shares/underlying Shares

Name of Directors/ chief executives	Capacity/Nature of Interest	Number of Shares held/interested	Approximate percentage of shareholding in the Company
Mr. Chung	Interest of a controlled corporation ^(Note 1) Beneficial owner ^(Note 2)	75,000,000 200,000	37.5% 0.1%
Mr. Chau	Interest of a controlled corporation ^(Note 3) Beneficial owner ^(Note 2)	75,000,000 200,000	37.5% 0.1%
Mr. Leonard Chung	Beneficial owner ^(Note 2)	800,000	0.4%
Mr. Chau Wai	Beneficial owner ^(Note 2)	800,000	0.4%
Mr. Yu	Beneficial owner ^(Note 2)	200,000	0.1%
Mr. Seto	Beneficial owner ^(Note 2)	200,000	0.1%
Mr. Asvaintra	Beneficial owner ^(Note 2)	200,000	0.1%
Mr. Cheung	Beneficial owner ^(Note 2)	800,000	0.4%
Mr. Ko	Beneficial owner ^(Note 2)	800,000	0.4%

Note 1: L.V.E.P. Holdings is 100% beneficially owned by Mr. Chung. Accordingly, Mr. Chung is deemed to be interested in the Shares held by L.V.E.P. Holdings under the SFO.

Note 2: These represent the Shares to be issued and allotted by the Company upon exercise of the share options granted under the Share Option Scheme.

Note 3: Ching Wai Holdings is 100% beneficially owned by Mr. Chau. Accordingly, Mr. Chau is deemed to be interested in the Shares held by Ching Wai Holdings under the SFO.

On 7 June 2021, the Company granted share options to all the Directors and Mr. Cheung and Mr. Ko pursuant to the Share Option Scheme. Details of which are set out in the announcement of the Company dated 7 June 2021 and the section headed "Share Option Scheme" in this annual report.

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executives of the Company held any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate for the year ended 31 December 2021.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2021, as far as was known to the Directors or chief executives of the Company, the following persons or corporations (other than the Directors and chief executives of the Company) had or were deemed or taken to have interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company:

Long position in the Shares

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/ interested	Approximate percentage of shareholding in the Company
L.V.E.P. Holdings	Beneficial owner	75,000,000	37.5%
Ching Wai Holdings	Beneficial owner	75,000,000	37.5%
Ms. Cheung	Interest of spouse ^(Note 1)	75,200,000	37.6%
Ms. Lee	Interest of spouse ^(Note 2)	75,200,000	37.6%

Note 1: Ms. Cheung is the spouse of Mr. Chau and is therefore deemed to be interested in the 75,000,000 Shares and 200,000 share options of the Company held by Mr. Chau under the SFO.

Note 2: Ms. Lee is the spouse of Mr. Chung and is therefore deemed to be interested in the 75,000,000 Shares and 200,000 share options of the Company held by Mr. Chung under the SFO.

Save as disclosed above, as at 31 December 2021, so far as the Directors were aware, none of the persons (other than the Directors or chief executives of the Company) had, or was deemed to have interests or short positions in the Shares and underlying Shares which were required to be recorded in the register of interests kept by the Company pursuant to Section 336 of the SFO, and which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Report of the Directors

SHARE OPTION SCHEME

The Company had adopted a share option scheme on 15 May 2018. The Share Option Scheme is an incentive scheme and is established to recognise the contributions that eligible participants have made or may make to the Group. The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes of the Company shall not, in aggregate, exceed 20,000,000 Shares (representing 10% of the Shares in issue as at the date of this annual report), unless otherwise approved by the Shareholders. The Board may at its discretion grant options to the following eligible participants:

- (i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company (the “**Affiliate**”);
- (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner, adviser or contractor to the Group or an Affiliate; and
- (iii) a company beneficially owned by any director, employee, consultant, professional, customer, supplier, agent, partner, adviser or contractor to the Group or an Affiliate.

Options may also be granted to any company wholly-owned by one or more eligible participants. No option shall be granted to any eligible participant which, if exercised in full would result in the total number of the Shares issued and to be issued upon exercise of the options already granted and to be granted to such eligible participant under the Share Option Scheme (including exercised, cancelled and outstanding share options) in any 12-month period up to and including the date of such grant exceeding 1% in aggregate of the Shares in issue. The exercise price for any Share under the Share Option Scheme shall be a price determined by the Board and notified to each grantee and shall not be less than the highest of (i) the closing price of a Share as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the relevant option, which must be a trading day; (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange’s daily quotations sheets for the five trading days immediately preceding the date of grant of the relevant option; and (iii) the nominal value of a Share on the offer date.

In respect of the remaining life of the Share Option Scheme, subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years commencing from 15 May 2018, being the date on which the Shareholders approved the Share Option Scheme, after which no further options may be issued but the provisions of the Share Option Scheme shall remain in full force and effect. An offer for the grant of options shall be deemed to have been accepted when the Company receives the letter containing the offer duly signed by the grantee together with a remittance of HK\$1.00 (or such other nominal sum in any currency as the Board may determine) in favour of the Company as consideration for the grant thereof. The principal terms of the Share Option Scheme were summarised in the paragraphs headed “Statutory and general information — (D) Share Option Scheme” in Appendix IV to the Prospectus.

As disclosed in the announcement of the Company dated 7 June 2021, the Company granted 6,000,000 share options to the Directors, senior management and certain employees of the Group on 7 June 2021 to subscribe for an aggregate of 6,000,000 Shares. The movements in the number of share options under the Share Option Scheme during the year ended 31 December 2021 are as follows:

Name	Date of grant	Exercise price per Share	Exercise period	Balance as at 1 January 2021	Granted	Exercised	Cancelled/ lapsed	Balance as at 31 December 2021
Mr. Chung	7 June 2021 ⁽¹⁾	HK\$0.68	7 June 2022 to 6 June 2031 ⁽²⁾	—	200,000	—	—	200,000
Mr. Chau	7 June 2021 ⁽¹⁾	HK\$0.68	7 June 2022 to 6 June 2031 ⁽²⁾	—	200,000	—	—	200,000
Mr. Leonard Chung	7 June 2021 ⁽¹⁾	HK\$0.68	7 June 2022 to 6 June 2031 ⁽²⁾	—	800,000	—	—	800,000
Mr. Chau Wai	7 June 2021 ⁽¹⁾	HK\$0.68	7 June 2022 to 6 June 2031 ⁽²⁾	—	800,000	—	—	800,000
Mr. Yu	7 June 2021 ⁽¹⁾	HK\$0.68	7 June 2022 to 6 June 2031 ⁽²⁾	—	200,000	—	—	200,000
Mr. Seto	7 June 2021 ⁽¹⁾	HK\$0.68	7 June 2022 to 6 June 2031 ⁽²⁾	—	200,000	—	—	200,000
Mr. Asvaintra	7 June 2021 ⁽¹⁾	HK\$0.68	7 June 2022 to 6 June 2031 ⁽²⁾	—	200,000	—	—	200,000
Mr. Cheung	7 June 2021 ⁽¹⁾	HK\$0.68	7 June 2022 to 6 June 2031 ⁽²⁾	—	800,000	—	—	800,000
Mr. Ko	7 June 2021 ⁽¹⁾	HK\$0.68	7 June 2022 to 6 June 2031 ⁽²⁾	—	800,000	—	—	800,000
Other Employees	7 June 2021 ⁽¹⁾	HK\$0.68	7 June 2022 to 6 June 2031 ⁽²⁾	—	1,800,000	—	—	1,800,000

Notes:

- The closing price of the Shares immediately before the date of grant (i.e. as of 4 June 2021) was HK\$0.69 per Share.
- 40%, 30% and the remaining 30% of the share options granted on 7 June 2021 shall be vested and exercisable at any time from the date falling on the first anniversary (i.e. 7 June 2022), second anniversary (i.e. 7 June 2023) and third anniversary (i.e. 7 June 2024) of the date of grant, respectively, till the end of the option period (i.e. 6 June 2031). In this table, "exercise period" begins with the first anniversary of the date of grant.

Report of the Directors

VALUE OF SHARE OPTIONS

The value of the share options granted during the review period is to be expensed through the Group's statement of profit or loss over the three-year vesting period of the share options.

The fair values of share options granted by the Company were determined by using the Black-Scholes option pricing model (the "Model"). The Model is one of the commonly used models to estimate the fair value of a share option. The variables and assumptions used in computing the fair values of the share options are based on management's best estimate. The value of a share option varies with different variables based on a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of a share option.

The inputs into the Model were as follows:

Date of grant	7 June 2021
Closing Share price at the date of grant	HK\$ 0.68
Exercise price	HK\$ 0.68
Risk free rate (Note a)	1.05%
Expected life of option (Note b)	10 years
Expected volatility (Note c)	55.89%
Expected dividend per annum (Note d)	—
Estimated fair values per share option	HK\$ 0.39

Notes:

- (a) Risk free rate: the yield derived from HKD Hong Kong Sovereign Curve in terms of the remaining of the share options.
- (b) Expected life of option: being the period of 10 years commencing on the date of grant, based on management's best estimates for the effects of non-transferability, exercise restriction and behavioural considerations.
- (c) Expected volatility: derived from historical volatility of the Shares.
- (d) Expected dividend per annum: expected dividend yield of the Shares.

RETIREMENT SCHEMES

The Group participates in several defined contribution retirement plans which cover the Group's eligible employees in the PRC and certain mandatory provident fund schemes for the employees in Hong Kong. Particulars of these retirement plans are set out in note 2.15(iii) to the consolidated financial statements of this annual report.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2021 with regard to Section 543 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the related party transactions undertaken by the Group during the year ended 31 December 2021 are set out in note 28 to the consolidated financial statements. For the year ended 31 December 2021, none of such related party transactions constitutes a connected transaction or a continuing connected transaction which is subject to the reporting, annual review, announcement and/or shareholders' approval requirements under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

Sales and purchases of the Group attributable to its major customers and suppliers, respectively, for the year ended 31 December 2021 are as follows:

	% of total revenue	% of total purchase
The largest customer/supplier	48.8%	10.6%
Five largest customers/suppliers	87.2%	42.6%

None of the Directors or any of their close associates or any Shareholders (which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital) had a material interest in the five largest suppliers or customers of the Group.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company had applied the principles and complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the accounting period covered by this annual report. Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 19 to 29 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2021 and as at the date of this annual report.

Report of the Directors

AUDITOR

The financial statements of the Company for the year ended 31 December 2021 had been audited by PricewaterhouseCoopers who will retire at the forthcoming annual general meeting of the Company. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint PricewaterhouseCoopers as the auditor of the Company for the year ending 31 December 2022.

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

Hong Kong, 21 March 2022

INDEPENDENT AUDITOR'S REPORT



To the Shareholders of MS Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

羅兵咸永道

OPINION

What we have audited

The consolidated financial statements of MS Group Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 48 to 95 comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matter identified in our audit is net realisable value of inventories.

Key Audit Matter

How our audit addressed the Key Audit Matter

Net realisable value of inventories

Refer to note 4.2 "Net realisable value of inventories" and note 18 "Inventories" to the consolidated financial statements.

At 31 December 2021, the Group held inventories of HK\$40,999,000 and a net provision of HK\$3,350,000 was made for obsolete or slow moving inventories for the year ended 31 December 2021. Inventories are stated at the lower of cost and net realisable value in the consolidated financial statements.

Management assesses net realisable value of inventories at each period end based on the current market condition and the historical experience of selling products of similar nature. The determination of net realisable value requires the use of significant judgement and estimates, including the consideration of condition of products, latest selling price, expectation of future sales orders and market trends and customer demands.

We focused on auditing the net realisable value of inventories including the related disclosures because the estimation of net realisable value of inventories are subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of inventory is considered significant due to the significance of the balance of inventory, significant management judgement and estimate involved in determining the net realisable value of inventory.

Our key procedures in relation to management's assessment of the net realisable value of inventories included:

- We obtained an understanding of the management's internal control and assessment process of estimating the net realisable value of the inventories and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including complexity, subjectivity, changes and susceptibility to management bias or fraud;
- We evaluated and tested the key controls over the review of net realisable value of inventories;
- We tested, on a sample basis, the net realisable value of inventory items, by comparing the carrying amount of the inventory items against their selling price subsequent to the year end, where applicable;
- We tested, on a sample basis, the accuracy of the ageing profile of individual inventory items by checking to the underlying procurement correspondence and invoices; and
- We challenged the assumptions used to determine the net realisable value of inventories.

Based on the above, we considered that management's judgements and assumptions applied in the *net realisable value of inventories* were supportable by the evidence obtained and procedures performed.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Pong Fei Ho.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 21 March 2022

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	5	293,746	248,510
Cost of sales	10	(207,405)	(166,646)
Gross profit		86,341	81,864
Selling expenses	10	(19,137)	(17,405)
Administrative expenses	10	(37,403)	(43,121)
Other income	7	333	2,473
Other losses, net	8	(893)	(1,766)
Operating profit		29,241	22,045
Finance income	9	431	508
Finance expenses	9	(616)	(576)
Finance expenses, net		(185)	(68)
Share of result of associates	17	(5,089)	—
Profit before taxation		23,967	21,977
Taxation	12	(8,555)	(7,976)
Profit for the year		15,412	14,001
Attributable to:			
— Equity holders of the Company		15,412	14,001
Profit per share attributable to equity holders of the Company during the year		HK cents	HK cents
Basic and diluted	13	7.71	7.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	35,013	36,780
Right-of-use assets	16	1,706	5,645
Investment in associates	17	18,161	—
		54,880	42,425
Current assets			
Inventories	18	40,999	33,293
Trade and other receivables	19	31,252	34,085
Deposits and prepayments	20	5,424	7,150
Cash and cash equivalents	21	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	22	20,000	20,000
Share premium		36,614	36,614
Other reserves	23	9,080	4,492
Retained earnings	23	137,386	121,974
Total equity		203,080	183,080

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	16	—	1,811
Deferred income tax liabilities	24	3,540	2,015
		3,540	3,826
Current liabilities			
Trade and other payables	25	41,890	43,988
Lease liabilities	16	1,861	4,204
Tax payable		5,400	3,758
		49,151	51,950
Total liabilities		52,691	55,776
Total equity and liabilities		255,771	238,856

On behalf of the Board

Chau Ching
Director

Chung Kwok Keung Peter
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Share- based payments reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
Balance at 1 January 2020	20,000	36,614	131	(1,627)	—	107,973	163,091
Comprehensive income:							
Profit for the year	—	—	—	—	—	14,001	14,001
Other comprehensive income:							
Exchange translation differences	—	—	—	5,988	—	—	5,988
Total comprehensive income for the year	—	—	—	5,988	—	14,001	19,989
Balance at 31 December 2020	20,000	36,614	131	4,361	—	121,974	183,080
Balance at 1 January 2021	20,000	36,614	131	4,361	—	121,974	183,080
Comprehensive income:							
Profit for the year	—	—	—	—	—	15,412	15,412
Other comprehensive income:							
Exchange translation differences	—	—	—	3,700	—	—	3,700
Total comprehensive income for the year	—	—	—	3,700	—	15,412	19,112
Transactions with equity holders:							
Share-based payments	—	—	—	—	888	—	888
Balance at 31 December 2021	20,000	36,614	131	8,061	888	137,386	203,080

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Cash flows from operating activities			
Cash generated from operations	26a	38,807	57,241
Tax paid		(5,438)	(6,043)
Net cash generated from operating activities		33,369	51,198
Cash flows from investing activities			
Purchases of property, plant and equipment		(6,315)	(7,832)
Process from disposal of property, plant and equipment		10	—
Payment of acquisition		(21,312)	—
Interest received		431	508
Net cash used in investing activities		(27,186)	(7,324)
Cash flows from financing activities			
Interest paid		(616)	(576)
Payment of principal element of lease liabilities		(4,254)	(3,664)
Net cash used in financing activities		(4,870)	(4,240)
Net increase in cash and cash equivalents		1,313	39,634
Cash and cash equivalents at 1 January		121,903	82,269
Cash and cash equivalents at 31 December		123,216	121,903

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1 GENERAL INFORMATION

MS Group Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on 9 March 2017. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together, the “Group”) are principally engaged in the manufacture and sales of plastic bottles and cups for infants and toddlers and plastic sports bottles (the “Listing Business”).

The controlling shareholders of the Company are Mr. Chung Kwok Keung Peter (“Mr. Chung”) and Mr. Chau Ching (“Mr. Chau”) (together, the “Controlling Shareholders”).

The consolidated financial statements are presented in thousands of Hong Kong dollars (“HK\$000”), unless otherwise stated. The consolidated financial statements have been approved for issue by the Board of Directors on 21 March 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 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.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

(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 Interest Rate Benchmark Reform — Phase 2
HKFRS 16 (Amendments)

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

(i) Subsidiaries and business combination

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Other than the group reorganisation of the Group in preparation for the Listing, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in the consolidated income statement.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to consolidated income statement.

(iv) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of the subsidiaries are accounted for by the Company on the basis of dividend and receivable. Impairment testing of the investments in the subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the financial information of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that make strategic decisions.

2.4 Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements is presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currencies (Continued)

(iii) Group companies

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (1) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (3) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The principal annual rates used for this purpose are:

Decoration	5%
Furniture and fixtures	20%
Office equipment	20%
Plant and machinery	10%
Tools and equipment	30%
Motor vehicles	30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other losses, net' in the consolidated income statement.

2.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined based on the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.7 Trade and other receivables

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. The Group holds the receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 2.9.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Cash and cash equivalents are assessed for expected credit losses in accordance with the policy set out in note 2.9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Credit losses and impairment of assets

(i) Credit losses from financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

- Trade receivables for sales of inventory, and
- Other financial assets at amortised cost.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. The Group has identified the gross domestic product ("GDP") and the Consumer Price Index of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Other financial assets at amortised cost include other receivables. The Group recognises a loss allowance equal to 12-month expected credit losses unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime expected credit losses.

Receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 365 days past due.

Expected credit loss adjustment on receivables are presented as net adjustment within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Impairment of non-financial assets

Assets that have an indefinite useful life — for example, goodwill or intangible assets not ready to use — are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the consolidated income statement for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Other payables

Other payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.11 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.12 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements.

When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is stated net of allowances for credit and other revenue reducing factors after eliminating sales within the Group.

Revenue is recognised when the amount can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria for each of the activities have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activities have been resolved. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(i) **Sales of goods**

Revenue from the sales of goods is recognised at a point in time when goods are delivered and title has been passed.

(ii) **Interest income**

Interest income is recognised on a time proportion basis using the effective interest method.

2.15 Employee benefits

(i) **Employee leave entitlements**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) **Bonus plan**

Provisions for bonus plans are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) **Defined contribution schemes**

Contributions to defined contribution schemes, including the Mandatory Provident Fund ("MPF") Scheme, an employee pension schemes established by municipal government in Mainland China are expensed as incurred. Except for the MPF Scheme, contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

Pursuant to the relevant regulations of the government in the People's Republic of China ("PRC"), the companies in the PRC participate in the municipal government contribution scheme whereby the companies are required to contribute to the scheme for the retirement benefit of eligible employees. The municipal government of the PRC is responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the schemes is to pay the ongoing contributions required by the schemes. The Group's contributions to these schemes are expensed as incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Operating leases

The Group is the lessee under various lease agreements for offices and warehouses. Rental contracts are typically for fixed periods of 2 years during which the Group pays a fixed monthly rental payment.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the lease liability and interest on lease liability. The interest on lease liability is charged to consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- lease payments made at or before the commencement date less any lease incentives received; and
- initial direct costs and restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

2.17 Government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in financial statements in the period when the dividends are approved by the Company's shareholders/directors, where appropriate.

2.19 Investment in associate

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associate is recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between the Group and its associate is eliminated to the extent of the Group's interest in these entities.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company and its carrying value and recognises the amount adjacent to "Share of result of associates" in the consolidated income statement.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.20 Share-based payments

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. It is the Group's policy not to enter into derivative transaction for speculative purposes.

The Group sets financial risk management policies in accordance with policies and procedures approved by the Board of Directors. The Board of Directors identifies and evaluates any financial risks in close co-operation with the Group's operating units and provides written principles for overall risk management.

(i) Foreign exchange risk

The Group's foreign currency transactions are mainly denominated in United States dollars ("USD") and Chinese Renminbi ("RMB"). The assets and liabilities denominated in foreign currencies are mainly denominated in USD and RMB, and there are no significant assets and liabilities denominated in other foreign currencies. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The foreign exchange risk exposure on USD is not significant to the Group as HK\$ is pegged with USD under the existing Hong Kong economic environment.

The exchange rate of RMB to HK\$ is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government. At 31 December 2021, if RMB had weakened/strengthened by 5% against HK\$ with all other variables held constant, the consolidated profit before taxation would have been 0.2% lower/higher (2020: 0.2% lower/higher), the equity would have been approximately 2.8% lower/higher (2020: 2.8% lower/higher), as a result of exchange translation losses/gains on exchange reserve.

For companies with RMB as their functional currency, their businesses are principally conducted in RMB. The fluctuation of the exchange rates of RMB against foreign currencies has a limited impact on these companies' results of operations.

(ii) Credit risk

The credit risk of the Group mainly arises from cash and bank balances and trade and other receivables.

Risk management

The Group monitors the credit rating of its bank. As at 31 December 2021 and 2020, the Group has approximately 100% and 100% respectively of its cash in banks with credit rating of Baa3 (Moody's) or higher, meaning the banks have very strong or extremely strong capacities to meet financial commitments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Impairment of financial assets

The Group has trade and other receivables that is subject to the expected credit loss model. Majority of the Group's trade receivables are from individual OEM Business customers and distributors of Yo Yo Monkey Business and are transacted in credit. As at 31 December 2021 and 2020, the top two debtors in aggregate accounted for approximately 59% and 64% respectively of the Group's trade receivables balances. The Group has set up long-term cooperative relationship with these debtors. In view of the history of business dealing with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balances due from these debtors.

Management makes a periodic assessment on the recoverability of the trade and other receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether they are any disputes with the debtors. On that basis, the Group applies HKFRS 9 simplified approach to measuring expected credit losses which uses lifetime expected loss allowance for all trade receivables. The loss allowance as at 31 December 2021 was determined approximately HK\$2,362,000 for trade receivables.

The gross carrying amount of the trade receivables and the loss allowance provision analysed by aging band are set out below.

BY DUE DATE	2021		2020	
	Gross amount HK\$'000	ECL Provision HK\$'000	Gross amount HK\$'000	ECL Provision HK\$'000
NOT YET DUE	24,723	(239)	23,493	(182)
1-30 DAYS	1,343	(251)	2,693	(173)
31-60 DAYS	1,500	(361)	1,661	(137)
61-90 DAYS	757	(294)	1,856	(96)
Over 90 DAYS	5,212	(1,217)	6,533	(2,133)
	33,535	(2,362)	36,236	(2,721)

Management consider other receivables as low credit risk as counterparty have a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed the expected credit losses for these receivables are immaterial under 12-month expected credit losses method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities.

The tables below analyse the Group's financial liabilities into relevant maturity groups based on the remaining period at the end of the reporting periods to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year HK\$'000	After 1 year but within 2 years HK\$'000	After 2 years but within 5 years HK\$'000	Total HK\$'000
The Group				
At 31 December 2021				
Trade and other payables	36,810	—	—	36,810
Lease liabilities	1,884	—	—	1,884
	38,694	—	—	38,694
At 31 December 2020				
Trade and other payables	39,725	—	—	39,725
Lease liabilities	4,400	1,833	—	6,233
	44,125	1,833	—	45,958

3.2 Fair value estimation

The carrying amounts of the Group's current financial assets and liabilities approximate their fair values due to the short-term maturities of these assets and liabilities. The fair value of long-term financial liabilities for disclosure purpose is estimated by discounting the future contractual cash flows at the current market rate that is available to the Group for similar financial instruments.

3.3 Capital risk management

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and enhance shareholder value in the long term. The capital structure consists of total equity as shown in the consolidated statements of financial position. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to owner, or issue new shares.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 Current taxation and deferred taxation

The Group is subject to income tax in Hong Kong and PRC. Significant judgement is required in determining the provision for taxation in this jurisdiction. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income taxation in the financial period in which such determination is made.

4.2 Net realisable value of inventories

Net realisable value of inventories is the estimated selling prices in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in economic conditions in places where the Group operates and changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at each reporting date. A net provision of HK\$3,350,000 was made for the year ended 31 December 2021.

4.3 Estimated impairment of investments in associates

The Group tests whether investments in associates have suffered any impairment, when there is an indication of impairment, in accordance with the accounting policy stated in note 2.19. For investments in associates with indication of impairment, the Group's share of recoverable amount of the relevant associates has been determined based on higher of value-in-use or fair value less costs of disposal. It is reasonably possible that the judgements and estimates could change in future periods. Changes to the judgements and estimates can significantly affect the carrying amount of the investment in future periods.

5 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	30,885	30,667
	293,746	248,510

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

6 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 year 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	(187,213)	(20,192)	(207,405)	(148,607)	(18,039)	(166,646)
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			(5,089)			—
Profit before taxation			23,967			21,977
Taxation			(8,555)			(7,976)
Profit for the year			15,412			14,001

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

6 SEGMENT INFORMATION (Continued)

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	777	607
	293,746	248,510

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 HK\$'000	2020 HK\$'000
The largest customer	143,423	103,665
The second largest customer	99,617	90,461

Non-current assets information

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

7 OTHER INCOME

	2021 HK\$'000	2020 HK\$'000
Government grant	—	2,448
Sundries	333	25
	333	2,473

8 OTHER LOSSES, NET

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

9 FINANCE EXPENSES, NET

	2021 HK\$'000	2020 HK\$'000
Finance income		
Bank interest income	431	508
Finance expenses		
Interest on lease liabilities (Note 26b)	198	325
Interest on bills payables	418	251
	616	576
Finance expenses, net	(185)	(68)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

10 EXPENSES BY NATURE

	2021 HK\$'000	2020 HK\$'000
Cost of inventory (Note 18)	122,012	100,601
Net provision for the impairment loss on inventory (Note 18)	3,350	1,251
Employee benefit expenses (Note 11)	76,603	62,632
Legal and professional fee	2,659	6,227
Management fee expenses	2,495	2,383
Transportation expenses	8,433	7,129
Depreciation of property, plant and equipment (Note 15)	8,791	8,579
Depreciation of right-of-use assets (Note 16)	4,032	3,586
Tooling expenses	8,219	6,926
Travelling expenses	3,668	2,829
Promotion expenses	4,622	4,271
Repair and maintenance expenses	3,611	4,778
Auditor's remuneration — Audit services	1,183	1,007
Utility expenses	6,256	5,088
Entertainment expenses	602	1,021
Expected credit loss adjustment on trade receivables (Note 19)	(359)	1,990
Others	7,768	6,874
Total cost of sales, selling expenses and administrative expenses	263,945	227,172

Notes to the Consolidated Financial Statements

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11 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2021 HK\$'000	2020 HK\$'000
Salaries, wages and bonuses	65,982	57,402
Contributions to defined contribution schemes (Note)	8,299	3,206
Other benefits	1,434	2,024
Share-based payments	888	—
	76,603	62,632

Note: As at 31 December 2021 and 2020, the Group had no forfeited contributions available to reduce the existing level of contributions.

(a) Directors' emoluments

- (i) The remuneration of each director for the year ended 31 December 2021 is set out below:

	Fee HK\$'000	Salaries HK\$'000	Other allowances HK\$'000	Bonuses HK\$'000	Defined contribution pension costs HK\$'000	Sub-total HK\$'000	Share- based payments HK\$'000	Total HK\$'000
Executive directors:								
Mr. Chau Ching	—	577	—	—	—	577	30	607
Mr. Chau Wai	—	1,612	—	124	18	1,754	118	1,872
Mr. Chung Kwok Keung Peter	—	577	—	—	—	577	30	607
Mr. Chung Leonard Shing Chun	—	806	—	—	18	824	118	942
Independent non-executive directors:								
Mr. Asvaintra Bhanusak	180	—	—	—	—	180	30	210
Mr. Seto John Gin Chung	180	—	—	—	—	180	30	210
Mr. Yu Hon To David	180	—	—	—	—	180	30	210
Total emoluments	540	3,572	—	124	36	4,272	386	4,658

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

11 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(a) Directors' emoluments (Continued)

(ii) The remuneration of each director for the year ended 31 December 2020 is set out below:

	Fee HK\$'000	Salaries HK\$'000	Other allowances HK\$'000	Bonuses HK\$'000	Defined contribution pension costs HK\$'000	Total HK\$'000
Executive directors:						
Mr. Chau Ching	1,000	1	—	—	—	1,001
Mr. Chau Wai	—	1,560	—	120	18	1,698
Mr. Chung Kwok Keung Peter	1,000	1	—	—	—	1,001
Mr. Chung Leonard Shing Chun	—	780	—	60	18	858
Independent non- executive directors:						
Mr. Asvaintra Bhanusak	180	—	—	—	—	180
Mr. Seto John Gin Chung	180	—	—	—	—	180
Mr. Yu Hon To David	180	—	—	—	—	180
Total emoluments	2,540	2,342	—	180	36	5,098

The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as management and employee to the Group during the years ended 31 December 2021 and 2020.

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2021 and 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

11 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(b) Directors' retirement benefits and termination benefits

Save as disclosed in note 11(a), the directors did not receive any other retirement benefits or termination benefits during the years ended 31 December 2021 and 2020.

(c) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2021 and 2020, no consideration was provided to or receivable by third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

Save as disclosed in note 28, as at 31 December 2021 and 2020, no loans, quasi-loans and other dealing arrangements in favour of directors, their controlled bodies corporate and connected entities.

(e) Director's material interests in transactions, arrangements or contracts

Save as disclosed in note 28, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of each of the years ended 31 December 2021 and 2020 or at any time during the years then ended.

(f) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group during the years ended 31 December 2021 and 2020 include two directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals during the years are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and wages	3,642	3,520
Bonus	421	367
Contributions to defined contribution schemes	54	54
Share-based payments	354	—
	4,471	3,941

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For the year ended 31 December 2021

11 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(f) Five highest paid individuals' emoluments (Continued)

The emoluments fell within the following bands:

	2021 No. of Individuals	2020 No. of individuals
Nil to HK\$1,000,000	—	—
HK\$1,000,001 to HK\$1,500,000	1	3
HK\$1,500,001 to HK\$2,000,000	2	—

During the years ended 31 December 2021 and 2020, no directors or any members of the five highest paid individuals received any emoluments from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

12 TAXATION

	2021 HK\$'000	2020 HK\$'000
Current income tax		
Hong Kong Profits Tax	5,906	2,084
PRC enterprise income tax	1,124	3,957
	7,030	6,041
Deferred income tax (Note 24)	1,525	1,935
Income tax expenses for the year	8,555	7,976

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

12 TAXATION (Continued)

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 HK\$'000	2020 HK\$'000
Profit before taxation	23,967	21,977
Add: share of results of associates	5,089	—
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	1,092	113
Income tax expenses	8,555	7,976

13 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)	7.71	7.00

(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.

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14 DIVIDEND

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

15 PROPERTY, PLANT AND EQUIPMENT

	Decoration HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Plants and machinery HK\$'000	Tools and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost							
At 1 January 2020	14,510	1,432	4,571	60,520	16,551	4,319	101,903
Additions	114	—	406	6,515	18	779	7,832
Disposals	—	—	(49)	(6,075)	—	(825)	(6,949)
Exchange difference	410	—	242	1,585	—	92	2,329
At 31 December 2020 and 1 January 2021	15,034	1,432	5,170	62,545	16,569	4,365	105,115
Additions	—	16	311	5,396	592	—	6,315
Disposals	—	—	(33)	(3,036)	—	—	(3,069)
Exchange difference	229	—	179	967	—	54	1,429
At 31 December 2021	15,263	1,448	5,627	65,872	17,161	4,419	109,790
Accumulated depreciation							
At 1 January 2020	4,438	1,400	2,229	43,436	10,062	3,914	65,479
Charge for the year	688	8	793	3,882	2,959	249	8,579
Disposal for the year	—	—	(27)	(5,724)	—	(826)	(6,577)
Exchange difference	76	—	130	611	—	37	854
At 31 December 2020 and 1 January 2021	5,202	1,408	3,125	42,205	13,021	3,374	68,335
Charge for the year	720	9	874	3,890	2,888	410	8,791
Disposal for the year	—	—	(28)	(2,878)	—	—	(2,906)
Exchange difference	50	—	126	353	—	28	557
At 31 December 2021	5,972	1,417	4,097	43,570	15,909	3,812	74,777
Net book value							
At 31 December 2021	9,291	31	1,530	22,302	1,252	607	35,013
At 31 December 2020	9,832	24	2,045	20,340	3,548	991	36,780

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

16 LEASE

(i) Amounts recognised in the consolidated statement of financial position

	2021 HK\$'000	2020 HK\$'000
Right-of-use assets		
Buildings	1,706	5,645
	2021 HK\$'000	2020 HK\$'000
Lease liabilities		
Current	1,861	4,204
Non-current	—	1,811
	1,861	6,015

On 1 June 2020, the Group renewed the lease agreements with Kwong Fai Trading Limited and Penghui Qiye (Wengyuan) Company Limited for a term of two years commencing from 1 June 2020 and ending on 31 May 2022 (both days inclusive) for the ongoing business operations and development of the Group.

Additions to the right-of-use asset during 2020 were HK\$2,228,000. There are no addition to the right-of-use asset during 2021.

The details of transactions are disclosed in note 28.

(ii) Amounts recognised in the consolidated income statement

	2021 HK\$'000	2020 HK\$'000
Depreciation of right-of-use assets		
Buildings	4,032	3,586

The total cash outflow for lease in 2021 was HK\$4,452,000. Lease terms are negotiated on an individual basis. The lease agreements contain a wide range of different terms and conditions and do not impose any covenant.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

17 INVESTMENT IN ASSOCIATE

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.

Details of the consideration transferred are:

	31 December 2021 HK\$'000
Cash paid	21,312
Other payable	1,938
Total purchase consideration	23,250

The assets and liabilities recognised as a result of the acquisition are as follows:

	On acquisition date HK\$'000
Non-current assets	47,723
Current assets	23,459
Current liabilities	(13,125)
Net identifiable assets acquired	58,057
Group's effective interest	40%
Group's share of net assets of the associate	23,223
Add: goodwill	27
Net assets acquired	23,250

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

17 INVESTMENT IN ASSOCIATE (Continued)

Set out below are the associates of the Group as at 31 December 2021 which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	% of ownership interest		Carrying amount	
		2021 %	2020 %	2021 HK\$'000	2020 HK\$'000
BRH2 Plastics, LLC	US	40	—	18,161	—

The tables below provide summarised financial information for associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not MS Group Holdings Limited's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Summarised financial information of the associates are as follows:

	31 December 2021 HK\$'000
Non-current assets	42,143
Current assets	29,303
Non-current liabilities	(94)
Current liabilities	(26,018)
Equity	45,334
Revenue	59,453
Loss for the year and other comprehensive income	(12,723)
Reconciled to the Group's interests in the associates	
Gross amounts of net assets of the associate	45,334
Group's effective interest	40%
Group's share of net assets of the associate	18,134
Goodwill	27
Carrying amount in the consolidated financial statement	18,161

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 share of amortisation of intangible assets identified during the acquisition amounted HK\$3,231,000.

During the year ended 31 December 2021, management has assessed and considered there is no indicator for impairment on the carrying value of investments accounted for using the equity method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

18 INVENTORIES

	2021 HK\$'000	2020 HK\$'000
Raw materials	14,002	11,903
Work in progress	2,972	5,307
Finished goods	24,025	16,083
	40,999	33,293

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK\$122,012,000 and HK\$100,601,000 for the years ended 31 December 2021 and 2020 respectively. A net provision of HK\$3,350,000 and HK\$1,251,000 were made for the year ended 31 December 2021 and 2020 respectively.

19 TRADE AND OTHER RECEIVABLES

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

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 HK\$'000	2020 HK\$'000
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
	31,173	33,515

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

19 TRADE AND OTHER RECEIVABLES (Continued)

As at 31 December 2021 and 2020, trade receivables of HK\$6,689,000 and HK\$10,204,000 were considered past due but not impaired. These relate to customers for whom there are no significant financial difficulties and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables based on past due date is as follows:

	2021 HK\$'000	2020 HK\$'000
1–30 days	1,092	2,520
31–60 days	1,139	1,524
61–90 days	463	1,760
Over 90 days	3,995	4,400
	6,689	10,204

The maximum exposure to credit risk is the carrying amounts of trade receivables and the Group does not hold any collateral as security.

Movement in the loss allowance

	2021 HK\$'000	2020 HK\$'000
At 1 January	2,721	731
Expected credit loss adjustment on trade receivables	(359)	1,990
At 31 December	2,362	2,721

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
USD	23,483	25,294
HK\$	30	—
RMB	7,739	8,791
	31,252	34,085

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

20 DEPOSITS AND PREPAYMENTS

	2021 HK\$'000	2020 HK\$'000
Utilities and other deposits	208	208
Prepayments		
— Inventories	2,008	3,618
— Others	3,208	3,324
	5,424	7,150

21 CASH AND BANK BALANCES

	2021 HK\$'000	2020 HK\$'000
Cash on hand	85	63
Cash at banks	123,131	121,840
	123,216	121,903

The carrying amounts of cash and bank balances of the Group approximate their fair values and are denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
USD	61,860	57,001
HK\$	11,989	11,707
RMB	49,367	53,195
	123,216	121,903

The cash and bank balances of the Group denominated in RMB is not freely convertible into other currencies. However, under “Mainland China’s Foreign Exchange Control Regulations” and “Administration of Settlement, Sale and Payment of Foreign Exchange Provisions”, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

22 SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each, authorised:		
At 31 December 2021 and 2020	3,800,000,000	380,000
Ordinary shares of HK\$0.1 each, issued and fully paid:		
At 31 December 2021 and 2020	200,000,000	20,000

23 RESERVES

(i) Other reserves

	Capital reserve HK\$'000	Exchange reserve HK\$'000	Share-based payments reserve HK\$'000	Total HK\$'000
At 1 January 2020	131	(1,627)	—	(1,496)
Currency translation differences	—	5,988	—	5,988
At 31 December 2020	131	4,361	—	4,492
At 1 January 2021	131	4,361	—	4,492
Currency translation differences	—	3,700	—	3,700
Share-based payments (iii)	—	—	888	888
At 31 December 2021	131	8,061	888	9,080

(ii) Retained earnings

In accordance with the Company Law of the PRC, domestic enterprises in Mainland China are required to transfer 10% of their profit after taxation, as determined under accounting principles generally accepted in the PRC ("PRC GAAP"), to the statutory surplus reserve until such reserve balance reaches 50% of the registered capital of relevant Mainland subsidiaries. As at 31 December 2021, PRC statutory reserves of HK\$5,289,000 (2020: HK\$4,360,000) are included in retained earnings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

23 RESERVES (Continued)

(iii) 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 payments amounted HK\$888,000 was recognised in the consolidated income statement during the year ended 31 December 2021.

24 DEFERRED INCOME TAX LIABILITIES

	Accelerated tax depreciation HK\$'000
At 1 January 2020	80
Charged to the income statement (Note 12)	1,935
At 31 December 2020 and 1 January 2021	2,015
Charged to the income statement (Note 12)	1,525
At 31 December 2021	3,540

The Group has undistributed earnings of HK\$33,747,000 (2020: HK\$31,228,000) which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from this subsidiaries and is not expected to distribute these profits in the foreseeable future.

In accordance with the accounting policy set out in note 2.13(ii), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$22,605,000 (2020: HK\$17,985,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. These unrecognized deferred tax assets related to the losses of subsidiaries in PRC will expire within 5 years from 31 December 2021. The remaining portion do not expire under current tax legislation.

25 TRADE AND OTHER PAYABLES

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

25 TRADE AND OTHER PAYABLES (Continued)

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

	2021 HK\$'000	2020 HK\$'000
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
	13,225	17,786

The carrying amounts of trade and other payables approximated their fair values and were denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
USD	3,095	8,363
HK\$	15,480	12,720
RMB	23,315	22,905
	41,890	43,988

The trade payables due to related parties were unsecured, interest-free and had similar terms of settlement as third party payables.

The contract liabilities primarily relate to the advance consideration received from customers, or the Group has unconditional right to considerations before the goods or services are delivered.

Contract liabilities of HK\$4,263,000 included in the balance as at 1 January 2021 were recognised as revenue during the year ended 31 December 2021.

As the contracts are for periods of one year or less or the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

26 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of operating profit to cash generated from operations:

	2021 HK\$'000	2020 HK\$'000
Profit before income tax	23,967	21,977
Adjustments for:		
Finance income (Note 9)	(431)	(508)
Finance expenses (Note 9)	616	576
Depreciation of property, plant and equipment (Note 10)	8,791	8,579
Depreciation of right-of-use assets (Note 10)	4,032	3,586
Net provision for impairment of inventory (Note 10)	3,350	1,251
Expected credit loss adjustment on trade receivable (Note 10)	(359)	1,990
Share of result of associates	5,089	—
Share-based payments	888	—
Loss on disposal of property, plant and equipment (Note 8)	153	372
Operating cash flows before changes in working capital	46,096	37,823
Change in working capital:		
— Inventories	(11,056)	1,442
— Trade and other receivables	3,192	(2,253)
— Deposits and prepayments	1,726	(1,342)
— Trade and other payables	(4,036)	16,824
— Effect of foreign exchange rate changes	2,885	4,747
Cash generated from operations	38,807	57,241

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

26 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities is as follows:

	Lease liabilities HK\$'000
At 1 January 2020	7,077
Changes from financing cash flow:	
Capital element of lease rentals paid	(3,664)
Interest element of lease rentals paid	(325)
Other changes:	
Interest expense on lease liabilities	325
Additions of lease liabilities	2,228
Translation differences	374
At 31 December 2020	6,015
At 1 January 2021	6,015
Changes from financing cash flow:	
Capital element of lease rentals paid	(4,254)
Interest element of lease rentals paid	(198)
Other changes:	
Interest expense on lease liabilities	198
Translation differences	100
At 31 December 2021	1,861

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

27 SHARE-BASED PAYMENTS

The Company granted 6,000,000 share options to the Directors, senior management and certain employees of the Group on 7 June 2021 to subscribe for an aggregate of 6,000,000 Shares.

40%, 30% and the remaining 30% of the share options granted on 7 June 2021 shall be vested and exercisable at any time from the date falling on the first anniversary (i.e. 7 June 2022), second anniversary (i.e. 7 June 2023) and third anniversary (i.e. 7 June 2024) of the date of grant, respectively, till the end of the option period (i.e. 6 June 2031). Exercise period begins with the first anniversary of the date of grant.

The fair values of share options granted by the Company were determined by using the Black-Scholes option pricing model (the "Model"). The Model is one of the commonly used models to estimate the fair value of a share option. The variables and assumptions used in computing the fair values of the share options are based on management's best estimate. The value of a share option varies with different variables based on a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of a share option.

The inputs into the Model were as follows:

Date of grant	7 June 2021
Closing Share price at the date of grant	HK\$0.68
Exercise price	HK\$0.68
Risk free rate	1.05%
Expected life of option	10 years
Expected volatility	55.89%
Expected dividend per annum	—
Estimated fair values per share option	HK\$ 0.39

Set out below are summaries of options granted under the plan:

Grant Date	Expiry date	Exercise price	Share options 31 December 2021	Share options 31 December 2020
7 June 2021	6 June 2031	HK\$0.68	6,000,000	—

None of the options had vested or are forfeited as at 31 December 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

28 RELATED PARTY TRANSACTIONS

Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

In addition to those disclosed elsewhere in the financial statements, the Group had the following significant transactions with related parties during the years ended 31 December 2021 and 2020:

Name of related party	Relationship with the Group
Mr. Chau Ching	Controlling Shareholder and director of the Company
Mr. Chung Kwok Keung Peter	Controlling Shareholder and director of the Company
Kwong Fai Trading Limited	Jointly controlled by Mr. Chung and his spouse
Penghui Qiye (Wengyuan) Company Limited* (鵬輝企業(翁源)有限公司)	Controlled by Controlling Shareholders

* The English translations of company or entity names in Chinese are for identification purpose only.

(a) Continued transactions

	2021 HK\$'000	2020 HK\$'000
Kwong Fai Trading Limited ("Kwong Fai")		
— Depreciation of right-of-use assets	659	598
— Interest expenses on lease liabilities	38	74
Penghui Qiye (Wengyuan) Company Limited ("Penghui")		
— Management fee expenses	2,318	2,292
— Depreciation of right-of-use assets	3,373	2,691
— Interest expenses on lease liabilities	160	246

All of the above transactions with related parties were conducted in the ordinary course of the business of the Group based on the terms mutually agreed between the relevant parties.

The Group leased certain premises with the aggregate carrying amount of right-of-use assets of HK\$1,706,000 (2020: HK\$5,645,000) and lease liabilities of HK\$1,861,000 (2020: HK\$6,015,000) as at 31 December 2021 from Kwong Fai and Penghui. During the year ended 31 December 2021, the lease payments paid to Kwong Fai and Penghui were HK\$756,000 (2020: HK\$691,000) and HK\$3,696,000 (2020: HK\$2,971,000) respectively.

On 1 June 2020, the Group renewed the lease agreements with Kwong Fai and Penghui for a term of two years commencing from 1 June 2020 and ending on 31 May 2022 (both days inclusive) for the ongoing business operations and development of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

28 RELATED PARTY TRANSACTIONS (Continued)

(a) Continued transactions (Continued)

The terms of the new lease agreements have been agreed by the parties after arm's length negotiations and are on normal commercial terms. The monthly rental for each of the new 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 new lease agreements.

The aggregate value of the rental payable by the Group under the new lease agreements for the two-year period is approximately HK\$8,182,000, which is expected to be financed by the internal resources of the Group. The aggregated value of the right-of-use assets to be recognised by the Group is approximately HK\$7,406,000.

(b) Key management compensation

Key management personnel are deemed to be the members of the Board of Directors of the Company who have responsibility for the planning directly and controlling the activities of the Group. The key management compensation is determined by the remuneration committee having regard to the performance of individuals and market trends. Please refer to note 11 for key management compensation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

29 COMPANY STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT

	At 31 December	
	2021	2020
	HK\$'000	HK\$'000
ASSETS		
Non-current asset		
Interests in subsidiaries	3	2
Current assets		
Deposits and prepayments	273	199
Amount due from subsidiaries	60,736	66,824
Cash and cash equivalents	10,487	10,425
	71,496	77,448
Total assets	71,499	77,450
EQUITY		
Equity attributable to the Company's equity holders		
Share capital	20,000	20,000
Share premium	36,614	36,614
Share-based payments reserve	888	—
Retained earnings	11,823	15,861
Total equity	69,325	72,475
LIABILITIES		
Current liabilities		
Accruals	2,174	4,975
Total liabilities	2,174	4,975
Total equity and liabilities	71,499	77,450

On behalf of the Board

Chau Ching
Director

Chung Kwok Keung Peter
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

29 COMPANY STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT (Continued)

	Share capital HK\$'000	Share premium HK\$'000	Share-based payments reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
Balance at 1 January 2020	20,000	36,614	—	(23,736)	32,878
Profit for the year	—	—	—	39,597	39,597
Balance at 31 December 2020	20,000	36,614	—	15,861	72,475
Balance at 1 January 2021	20,000	36,614	—	15,861	72,475
Loss for the year	—	—	—	(4,038)	(4,038)
Share-based payments	—	—	888	—	888
Balance at 31 December 2021	20,000	36,614	888	11,823	69,325

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

30 PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2021 and 2020 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid up share/ registered capital	Attributable equity interest held		Principal activities
			2021 %	2020 %	
Directly held by the Company:					
CH Development Limited	BVI	US\$100	100%	100%	Investment holding
MS Industrial Limited	BVI	US\$100	100%	100%	Investment holding
Macro Peak Limited	BVI	US\$100	100%	100%	Investment holding
Vison Plus Limited	BVI	US\$100	100%	—	Investment holding
Indirectly held by the Company:					
Main Success Industrial Limited	Hong Kong	HK\$100,000	100%	100%	Design, manufacture and sales of plastic infant and drinkware products
On Gain Development Limited	Hong Kong	HK\$2	100%	100%	Sales of plastic infant products
MS LLC	US	US\$100	100%	100%	Investment holding
Shaoguan Anyu Baby Products Company Ltd* (韶關安裕嬰童用品有限公司) (i)	PRC	RMB22,383,065	100%	100%	Design and sales of plastic infant products
Wengyuanxian Wancheng Plastic Products Company Limited* (翁源縣萬成塑膠制品有限公司) (i)	PRC	HK\$35,000,636	100%	100%	Manufacture of plastic infant and drinkware products
Kando Life Limited	Hong Kong	HK\$100	100%	—	Sales of water bottle
Kando Life US LLC	US	US\$100	100%	—	Sales of water bottle

* The English translations of company or entity names in Chinese are for identification purpose only.

(i) A limited liability company established in PRC.

None of the subsidiaries had any debt securities in issue at the end of the year.

GLOSSARY

In this annual report, unless the context states otherwise, the following expressions shall have the following meanings:

“AGM”	annual general meeting of the Company previously held on 1 June 2020
“Anyu Baby”	Shaoguan Anyu Baby Products Company Limited* (韶關安裕嬰童用品有限公司), a limited liability company established in the PRC on 17 June 2013 and an indirectly wholly owned subsidiary of the Company
“Board”	board of Directors
“BRH2 Plastics, LLC”	BRH2 Plastics, LLC, a company incorporated in Arizona, the U.S. with limited liability on 25 June 2014 and converted to a Delaware limited liability company on 14 January 2021
“CG Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Ching Wai Holdings”	Ching Wai Holdings Limited, a limited liability company incorporated in the British Virgin Islands on 9 March 2017 and wholly owned by Mr. Chau
“close associate(s)”	has the meaning ascribed to it under Rule 1.01 of the Listing Rules
“Company”	MS Group Holdings Limited (萬成集團股份有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 9 March 2017
“Countries subject to International Sanctions”	countries regarding which governments such as the United States or Australia, or governmental organisations, such as the European Union or the United Nations, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries
“Director(s)”	director(s) of the Company
“GEM”	GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“International Sanctions”	sanction related laws, regulations and/or measures issued by the United States, the European Union, the United Nations and/or Australia
“Listing”	listing of the Shares on the Main Board
“Listing Date”	1 June 2018, the date on which the Shares were first listed on the Main Board

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange as amended, modified and supplemented from time to time
“L.V.E.P. Holdings”	L.V.E.P. Holdings Limited, a limited liability company incorporated in the British Virgin Islands on 9 March 2017 and wholly owned by Mr. Chung
“Main Board”	stock market operated by the Stock Exchange prior to the establishment of GEM of the Stock Exchange (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with the GEM of the Stock Exchange
“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
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“MPL”	Macro Peak Limited, a limited liability company incorporated in the British Virgin Islands on 26 November 2020 and wholly owned by the Company
“Mr. Chau”	Mr. Chau Ching (周青), one of the controlling Shareholders and an executive Director
“Mr. Chung”	Mr. Chung Kwok Keung Peter (鍾國強), one of the controlling Shareholders and an executive Director
“Ms. Cheung”	Ms. Cheung Hau Ling (張巧玲), the spouse of Mr. Chau
“Ms. Lee”	Ms. Lee Yiu Chee Eugenia (李耀芝), the spouse of Mr. Chung
“MS LLC”	MS LLC, a limited liability company incorporated in the State of Delaware on 1 December 2020 and wholly owned by MPL
“OEM”	original equipment manufacturing
“OEM Business”	business segment principally comprising the production and sales of plastic bottles and cups for infants and toddlers and plastic sports bottles on an OEM basis
“OFAC”	United States Department of Treasury’s Office of Foreign Assets Control
“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 Enterprises Limited, which in turn is owned as to 50% by Mr. Chung and as to 50% by Mr. Chau
“PRC”	the People’s Republic of China which for the purposes of this annual report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

Glossary

“Production Base”	production plant of the Group situated in Wengyuan County, Shaoguan City, Guangdong Province, the PRC
“Prospectus”	prospectus of the Company dated 21 May 2018 in respect of the Listing
“RMB”	Renminbi, the lawful currency of the PRC
“Sanctioned Persons”	person(s) and identity(ies) listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the United States, the European Union, the United Nations or Australia
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 15 May 2018
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US” or “United States”	United States of America
“Yo Yo Monkey Business”	business segment principally comprising the production and sales of infant and toddler products, such as plastic bottles and cups for infants and toddlers, under the brand developed by the Group known as “Yo Yo Monkey (優優馬騮)”, principally for the PRC market

* for identification purpose only