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MS GROUP HOLDINGS LIMITED

萬成集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1451)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

KEY FINANCIAL INFORMATION AND RATIOS (UNAUDITED)

		Six months ended 30 June	
		2022	2021
Revenue	<i>HK\$'000</i>	161,192	124,723
Gross profit	<i>HK\$'000</i>	50,456	37,324
Gross profit margin	%	31.3%	29.9%
Operating profit	<i>HK\$'000</i>	22,347	11,589
Profit attributable to equity holders	<i>HK\$'000</i>	12,947	6,572
Basic earnings per Share	<i>HK cents</i>	6.47	3.29
Interim dividend per Share	<i>HK cents</i>	Nil	Nil

The board (the “**Board**”) of directors (“**Directors**”) of MS Group Holdings Limited (the “**Company**”) is pleased to present the unaudited interim results of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2022, together with the comparative figures for the corresponding period of 2021, as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2022

		Unaudited	
		Six months ended 30 June	
		2022	2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	6	161,192	124,723
Cost of sales		<u>(110,736)</u>	<u>(87,399)</u>
Gross profit		50,456	37,324
Selling expenses		(8,451)	(8,482)
Administrative expenses		(21,733)	(16,722)
Other income		1,713	124
Other gains/(losses), net		<u>362</u>	<u>(655)</u>
Operating profit		<u>22,347</u>	<u>11,589</u>
Finance income		429	220
Finance expenses		<u>(276)</u>	<u>(284)</u>
Finance income/(expenses), net	7	153	(64)
Share of result of associates	18	<u>(3,531)</u>	<u>(2,085)</u>
Profit before taxation	8	18,969	9,440
Taxation	9	<u>(6,022)</u>	<u>(2,868)</u>
Profit for the period		<u>12,947</u>	<u>6,572</u>
Attributable to:			
— Equity holders of the Company		<u>12,947</u>	<u>6,572</u>
		<i>HK Cents</i>	<i>HK Cents</i>
Profit per share attributable to equity holders of the Company during the period			
Basic and diluted	11	<u>6.47</u>	<u>3.29</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Profit for the period	12,947	6,572
Item that may be subsequently reclassified to income statement:		
Exchange translation differences	<u>(5,619)</u>	<u>1,408</u>
Other comprehensive (loss)/income for the period, net of tax	<u>(5,619)</u>	<u>1,408</u>
Total comprehensive income for the period	<u><u>7,328</u></u>	<u><u>7,980</u></u>
Total comprehensive income for the period attributable to:		
— Equity holders of the Company	<u><u>7,328</u></u>	<u><u>7,980</u></u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	12	31,581	35,013
Investment in associates	18	14,630	18,161
Right-of-use assets		<u>8,275</u>	<u>1,706</u>
		<u>54,486</u>	<u>54,880</u>
Current assets			
Inventories		38,245	40,999
Trade and other receivables	13	30,357	31,252
Deposits and prepayments		8,851	5,424
Cash and cash equivalents		<u>140,686</u>	<u>123,216</u>
		<u>218,139</u>	<u>200,891</u>
Total assets		<u>272,625</u>	<u>255,771</u>
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	15	20,000	20,000
Share premium		36,614	36,614
Other reserves		4,144	9,080
Retained earnings		<u>150,333</u>	<u>137,386</u>
Total equity		<u>211,091</u>	<u>203,080</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		4,417	—
Deferred income tax liabilities		<u>3,243</u>	<u>3,540</u>
		<u>7,660</u>	<u>3,540</u>

		Unaudited	Audited
		30 June	31 December
		2022	2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Trade and other payables	<i>14</i>	38,858	41,890
Lease liabilities		3,869	1,861
Tax payable		11,147	5,400
		<u>53,874</u>	<u>49,151</u>
Total liabilities		<u>61,534</u>	<u>52,691</u>
Total equity and liabilities		<u>272,625</u>	<u>255,771</u>
Net current assets		<u>164,265</u>	<u>151,740</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Unaudited				Share based	Retained	Total
	Share capital	Share premium	Capital reserve	Exchange reserve	payment reserve	earnings	equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 January 2021	20,000	36,614	131	4,361	—	121,974	183,080
Comprehensive income:							
Profit for the period	—	—	—	—	—	6,572	6,572
Other comprehensive loss:							
Exchange translation differences	—	—	—	1,408	—	—	1,408
Total comprehensive income for the period ended 30 June 2021	—	—	—	1,408	—	6,572	7,980
Transactions with equity holders:							
Share-based payments	—	—	—	—	127	—	127
Total transactions with equity holders	—	—	—	—	127	—	127
Balance at 30 June 2021	20,000	36,614	131	5,769	127	128,546	191,187
Balance at 1 January 2022	20,000	36,614	131	8,061	888	137,386	203,080
Comprehensive income:							
Profit for the period	—	—	—	—	—	12,947	12,947
Other comprehensive loss:							
Exchange translation differences	—	—	—	(5,619)	—	—	(5,619)
Total comprehensive income for the period ended 30 June 2022	—	—	—	(5,619)	—	12,947	7,328
Transactions with equity holders:							
Share-based payments	—	—	—	—	683	—	683
Total transactions with equity holders	—	—	—	—	683	—	683
Balance at 30 June 2022	20,000	36,614	131	2,442	1,571	150,333	211,091

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operations	21,465	26,236
Tax paid	<u>(363)</u>	<u>(2,880)</u>
Net cash generated from operating activities	<u>21,102</u>	<u>23,356</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,589)	(567)
Payment for acquisition of associates	—	(21,312)
Interest received	<u>429</u>	<u>220</u>
Net cash used in investing activities	<u>(1,160)</u>	<u>(21,659)</u>
Cash flows from financing activities		
Interest paid	(276)	(284)
Payment of principal element of lease liabilities	<u>(2,196)</u>	<u>(2,094)</u>
Net cash used in financing activities	<u>(2,472)</u>	<u>(2,378)</u>
Net increase/(decrease) in cash and cash equivalents	17,470	(681)
Cash and cash equivalents at 1 January	<u>123,216</u>	<u>121,903</u>
Cash and cash equivalents at 30 June	<u>140,686</u>	<u>121,222</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 CORPORATE INFORMATION AND BASIS OF PRESENTATION

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

This condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (“**HK\$000**”), unless otherwise stated.

2 BASIS OF PREPARATION AND PRESENTATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and applicable disclosure requirements of the Listing Rules.

The condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

3 ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of this unaudited condensed consolidated interim financial information are consistent with those used in the Group’s consolidated financial statements for the year ended 31 December 2021 except for taxes on income in the interim periods that are accrued using the tax rate that would be applicable to expected total annual earnings. A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

5 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021.

There have been no changes in the risk management policies since the year ended 31 December 2021.

(b) Fair value estimation

The carrying amounts of the Group's financial assets and liabilities approximate their fair values due to the short-term maturities of these assets and liabilities.

6 SEGMENT INFORMATION

The Group is principally engaged in manufacturing and sale of plastic bottles and cups for infants and toddlers and plastic sports bottles to original equipment manufacturing business (the "OEM Business") customers, and customers under its own brand. An analysis of the Group's revenue is as follows:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Revenue		
OEM Business customer products	150,581	110,014
Own brand products	<u>10,611</u>	<u>14,709</u>
	<u>161,192</u>	<u>124,723</u>

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 an executive director of the Company. The chief operating decision-maker considers the business from a product perspective and assesses the performance of the operating segments based on a measure of gross profit for the purpose 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 infants products to OEM Business customers; and (ii) design, manufacture and sale of own brand infant products.

The segment information provided to the chief operating decision-maker for the six months ended 30 June 2022 (unaudited) is as follows:

	OEM Business customer products HK\$'000	Own brand products HK\$'000	Total HK\$'000
Segment revenue from external customers			
Timing of revenue recognition — at a point in time	150,581	10,611	161,192
Cost of sales	<u>(103,578)</u>	<u>(7,158)</u>	<u>(110,736)</u>
Gross profit	47,003	3,453	50,456
Selling expenses			(8,451)
Administrative expenses			(21,733)
Other income			1,713
Other gains, net			362
Finance income, net			153
Share of result of associates			<u>(3,531)</u>
Profit before taxation			18,969
Taxation			<u>(6,022)</u>
Profit for the period			<u><u>12,947</u></u>

The segment information provided to the chief operating decision-maker for the six months ended 30 June 2021 (unaudited) is as follows:

	OEM Business customer products <i>HK\$'000</i>	Own brand products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue from external customers			
Timing of revenue recognition — at a point in time	110,014	14,709	124,723
Cost of sales	<u>(78,523)</u>	<u>(8,876)</u>	<u>(87,399)</u>
Gross profit	31,491	5,833	37,324
Selling expenses			(8,482)
Administrative expenses			(16,722)
Other income			124
Other losses, net			(655)
Finance expenses, net			(64)
Share of result of associates			<u>(2,085)</u>
Profit before taxation			9,440
Taxation			<u>(2,868)</u>
Profit for the period			<u><u>6,572</u></u>

7 FINANCE INCOME/(EXPENSES), NET

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bills payables	(224)	(160)
Interest expenses on lease liabilities	(52)	(124)
Bank interest income	<u>429</u>	<u>220</u>
	<u><u>153</u></u>	<u><u>(64)</u></u>

8 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Cost of inventory	67,302	49,278
Provision for the impairment loss on inventory	2,761	—
Employee benefit expenses	40,939	35,515
Management fee expenses	1,239	1,241
Depreciation of property, plant and equipment (<i>Note 12</i>)	3,760	4,359
Depreciation of right-of-use assets	2,054	2,009
Change in expected credit losses for trade receivables	549	(32)
Loss on disposal/write-off of property, plant and equipment	17	139
Government grants	(1,582)	—

9 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the period. The Peoples' Republic of China (“PRC”) enterprise income tax has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the PRC.

The amount of taxation charged to the condensed consolidated interim income statement represents:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current — Hong Kong		
Provision for the period	4,537	1,702
Current — PRC		
Provision for the period	1,606	1,382
Under-provision in respect of prior years	176	—
Deferred		
Provision for the period	(297)	(216)
Taxation charge	6,022	2,868

10 DIVIDENDS

No dividends had been paid or declared by the Company for the six months ended 30 June 2022 (2021: Nil).

11 EARNINGS PER SHARE — BASIC AND DILUTED

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Unaudited	
	Six months ended 30 June	
	2022	2021
Profit attributable to owners of the Company (HK\$'000)	12,947	6,572
Weighted average number of ordinary shares in issue (thousands)	<u>200,000</u>	<u>200,000</u>
Basic earnings per share (Hong Kong cents)	<u>6.47</u>	<u>3.29</u>

(b) Diluted earnings per share

Diluted earnings per share for the period ended 30 June 2022 and 2021 are 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.

12 PROPERTY, PLANT AND EQUIPMENT

	Decoration <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Plants and machinery <i>HK\$'000</i>	Tools and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2021 (audited)							
Cost	15,263	1,448	5,627	65,872	17,161	4,419	109,790
Accumulated depreciation	<u>(5,972)</u>	<u>(1,417)</u>	<u>(4,097)</u>	<u>(43,570)</u>	<u>(15,909)</u>	<u>(3,812)</u>	<u>(74,777)</u>
Net book amount	<u>9,291</u>	<u>31</u>	<u>1,530</u>	<u>22,302</u>	<u>1,252</u>	<u>607</u>	<u>35,013</u>
Period ended 30 June 2022 (unaudited)							
Opening net book amount	9,291	31	1,530	22,302	1,252	607	35,013
Exchange differences	(248)	—	(88)	(885)	—	(23)	(1,244)
Additions	—	5	29	1,555	—	—	1,589
Disposals/write-off	—	—	—	—	—	(17)	(17)
Depreciation charge	<u>(375)</u>	<u>(6)</u>	<u>(399)</u>	<u>(2,079)</u>	<u>(766)</u>	<u>(135)</u>	<u>(3,760)</u>
Closing net book amount	<u>8,668</u>	<u>30</u>	<u>1,072</u>	<u>20,893</u>	<u>486</u>	<u>432</u>	<u>31,581</u>
At 30 June 2022 (unaudited)							
Cost	14,933	1,452	5,448	65,872	17,161	4,160	109,026
Accumulated depreciation	<u>(6,265)</u>	<u>(1,422)</u>	<u>(4,376)</u>	<u>(44,979)</u>	<u>(16,675)</u>	<u>(3,728)</u>	<u>(77,445)</u>
Net book amount	<u>8,668</u>	<u>30</u>	<u>1,072</u>	<u>20,893</u>	<u>486</u>	<u>432</u>	<u>31,581</u>

13 TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Trade receivables	32,216	33,535
Loss allowance	<u>(2,911)</u>	<u>(2,362)</u>
	29,305	31,173
Other receivables	<u>1,052</u>	<u>79</u>
	<u><u>30,357</u></u>	<u><u>31,252</u></u>

The Group has established credit policies for customers in each of its businesses. The average credit period granted for trade receivables ranges from 30 to 90 days. The carrying values of trade and other receivables approximate their fair values.

The ageing analyses of the Group's trade receivables by invoice dates are as follows:

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
0 – 30 days	16,291	23,130
31 – 60 days	6,432	1,318
61 – 90 days	1,510	2,254
Over 90 days	<u>5,072</u>	<u>4,471</u>
	<u><u>29,305</u></u>	<u><u>31,173</u></u>

14 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Trade payables	10,731	13,225
Accruals and other payables	24,623	23,585
Contract liabilities (<i>Note</i>)	<u>3,504</u>	<u>5,080</u>
	<u><u>38,858</u></u>	<u><u>41,890</u></u>

The carrying values of trade and other payables approximate their fair values.

Note: Contract liabilities of HK\$3,026,000 included in the balance as at 1 January 2022 were recognised as revenue during the period ended 30 June 2022.

The ageing analyses of the Group's trade payables by invoice dates are as follows:

	Unaudited 30 June 2022 <i>HK\$'000</i>	Audited 31 December 2021 <i>HK\$'000</i>
0 – 30 days	9,201	8,430
31 – 60 days	—	3,126
61 – 90 days	37	42
Over 90 days	<u>1,493</u>	<u>1,627</u>
	<u>10,731</u>	<u>13,225</u>

The credit period for the trade payables for the Group's business generally ranges from 30 to 90 days.

15 SHARE CAPITAL

	No. of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.1 each, authorised:		
At 30 June 2021 (unaudited), 31 December 2021 and 30 June 2022 (unaudited)	<u>3,800,000,000</u>	<u>380,000</u>
Ordinary shares of HK\$0.1 each, issued and fully paid:		
At 30 June 2021 (unaudited), 31 December 2021 and 30 June 2022 (unaudited)	<u>3,800,000,000</u>	<u>20,000</u>

16 CONTINGENT LIABILITIES

As at 30 June 2022 and 31 December 2021, the Group had no significant contingent liabilities.

17 RELATED PARTY TRANSACTIONS

A summary of significant related party transactions is set out below:

Name of related party	Relationship with the Group
Kwong Fai Trading Limited (“Kwong Fai”)	Jointly controlled by Mr. Chung and his spouse
Penghui Qiye (Wengyuan) Company Limited (“Penghui”)	Controlled by Controlling Shareholders

(a) Continuing transactions

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Kwong Fai		
— Depreciation of right-of-use assets	322	330
— Interest expenses on lease liabilities	4	24
Penghui		
— Management fee expenses	1,163	1,154
— Depreciation of right-of-use assets	1,732	1,679
— Interest expenses on lease liabilities	<u>48</u>	<u>100</u>

The above transactions with related parties were calculated in the ordinary course of 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\$8,275,000 and lease liabilities of HK\$8,286,000 as at 30 June 2022 from Kwong Fai and Penghui. During the period ended 30 June 2022, the lease payments paid to Kwong Fai and Penghui were HK\$365,000 (2021: HK\$378,000) and HK\$1,883,000 (2021: HK\$1,840,000), respectively.

On 30 May 2022, the Group has entered into the 2022 Lease Agreements with Kwong Fai and Penghui to renew the 2020 Lease Agreements for a term of two years commencing from 1 June 2022 and ending on 31 May 2024 (both days inclusive) for the ongoing business operations and development of the Group.

The terms of the 2022 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 2022 Lease Agreements was determined based on the fair rent value assessed by an independent valuer, which is in line with the prevailing market rent of other premises with conditions comparable to those under the 2022 Lease Agreements.

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

(b) Key management compensation

During the period ended 30 June 2022, no transactions (2021: Nil) have been entered into with the directors of the Company (being the key management personnel) other than the emoluments paid or accrued to them (being key management personnel compensation).

18 INVESTMENT IN AN ASSOCIATE

In 2021, the Group acquired 40% interest in BRH2 Plastics, LLC at an aggregate consideration of HK\$23,250,000 (US\$3,000,000). The associate is principally engaged in the manufacturing and sale of custom-designed plastic products using injection molding machines for consumer goods, automotive and healthcare industries.

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

	Unaudited	Audited
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Associates	<u>14,630</u>	<u>18,161</u>

Included in the balance is a goodwill of HK\$27,000 (31 December 2021: HK\$27,000). The share of result recognised in the condensed consolidated interim income statement for the six months ended 30 June 2022 comprised of a share of operating losses amounting to HK\$1,916,000 (2021: HK\$470,000) and an amortisation of intangible assets identified during the acquisition amounting to HK\$1,615,000 (2021: HK\$1,615,000).

19 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. Where share options are forfeited, any expenses previously recognised in relation to such share options are reversed effective from the date of the forfeiture.

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

Share-based payment amounted HK\$683,000 (2021: HK\$127,000) was recognised in the condensed consolidated interim income statement during the period ended 30 June 2022.

20 APPROVAL OF INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 was approved by the Board on 24 August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2022, the Group continued to engage in (i) the OEM Business, being the production and sales of plastic bottles and cups for infants and toddlers and plastic sports bottles on an OEM basis, predominately targeting the overseas markets; and (ii) the Yo Yo Monkey Business, being the production and sales of infant and toddler products under the “Yo Yo Monkey (優優馬騮)” brand primarily in the PRC market. The Group operates its production plant situated in Wengyuan County, Shauguan City, Guangdong Province, the PRC (the “**Production Base**”).

Since early 2020, the worldwide outbreak of the COVID-19 pandemic (the “**COVID-19 Pandemic**”) has caused severe adverse impacts to economies on a global scale, including but not limited to the United States and the PRC, which are the two major economies related to the businesses of the Group. While the roll-out of vaccines and public health measures had set the global economy back on the path of recovery, the outbreak of the heightened armed conflict between Russia and Ukraine (the “**Ukraine Crisis**”) in the first half of 2022 had brought a new wave of adverse impacts to the global economy.

For the six months ended 30 June 2022, the Group recorded a year-on-year increase in total revenue, primarily driven by the increase in sales orders received from the major OEM Business customers of the Group. The year-on-year increase in revenue was mainly because the two largest customers of the Group, which are based in the United States, were optimistic and placed higher volume of product orders, which drove up the revenue of the Group, during the first quarter of 2022. Nonetheless, along with the unfavourable economic climate in the United States, the orders on hand of the Group demonstrated a notable declining trend since May 2022. Another factor which contributed to the year-on-year increase in revenue for the first half of 2022 was that sales orders of approximately HK\$12 million was delayed from the fourth quarter of 2021 to the first quarter of 2022 due to logistics arrangements. On the other hand, the revenue from the Yo Yo Monkey Business had not yet recovered and recorded notable year-on-year decline for the six months ended 30 June 2022 due to among other factors, economic impacts from the COVID-19 Pandemic, unfavourable industry conditions and the declining birth rate in the PRC. Overall, the Group achieved a year-on-year increase in profitability for the first half of 2022 thanks to the favourable performance of the OEM Business of the Group during the period.

Financial Review

The following table sets out the key financial figures of the Group for the six months ended 30 June 2022, with comparative figures for the six months ended 30 June 2021.

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Revenue	161,192	124,723
Gross profit	50,456	37,324
Profit before income tax	18,969	9,440
Net profit attributable to equity holders	<u>12,947</u>	<u>6,572</u>

Revenue

OEM Business

The principal products of the OEM Business are plastic bottles and, by product nature, the market demand of which was not materially affected by the COVID-19 Pandemic and the Ukraine Crisis as compared with many other industries. For the six months ended 30 June 2022, revenue generated from the OEM Business amounted to approximately HK\$150.6 million, which represented a year-on-year increase of approximately 36.9%, as compared to approximately HK\$110.0 million for the corresponding period in 2021. The year-on-year increase in revenue was mainly because the two largest customers of the Group, which are based in the United States, were optimistic and placed higher volume of product orders, which drove up the revenue of the Group, during the first quarter of 2022. Nonetheless, along with the unfavourable economic climate in the United States, the orders on hand of the Group demonstrated a notable declining trend since May 2022. Another factor which contributed to the year-on-year increase in revenue for the first half of 2022 was that sales orders of approximately HK\$12 million was delayed from the fourth quarter of 2021 to the first quarter of 2022 due to logistics arrangements. For the first half of 2022, the two largest customers continued to be the major contributors of revenue for the OEM Business, where they respectively contributed revenue of approximately HK\$82.3 million (first half of 2021: approximately HK\$64.6 million) and HK\$50.3 million (first half of 2021: approximately HK\$38.1 million). For the first half of 2022, the revenue of the OEM Business generated from the PRC market amounted to approximately HK\$7.6 million (first half of 2021: approximately HK\$1.9 million).

Yo Yo Monkey Business

For the six months ended 30 June 2022, the Yo Yo Monkey Business recorded revenue of approximately HK\$10.6 million, which represented a decrease of approximately 27.9% as compared to approximately HK\$14.7 million for the corresponding period in 2021. The Yo Yo Monkey Business was impacted by the COVID-19 Pandemic and struggled to recover in view of, among other things, (i)

the fierce price wars in the local market and the weakened economy together affected the sales of the products of the Group which target the mid-to-high-end market; and (ii) the shift in market trend to shop online rather than at retail shops which the Group had focused on; and (iii) the declining birth rate in the PRC, where the birth rate in 2021 was the lowest recorded in decades.

Gross profit

The gross profit of the Group was approximately HK\$50.5 million, representing a gross profit margin of approximately 31.3%, for the six months ended 30 June 2022, as compared to the gross profit of approximately HK\$37.3 million, representing a gross profit margin of approximately 29.9%, for the six months ended 30 June 2021.

For the six months ended 30 June 2022, the gross profit margin of the OEM Business was approximately 31.2% (first half of 2021: approximately 28.6%) and the gross profit margin of the Yo Yo Monkey Business was approximately 32.5% (first half of 2021: approximately 39.7%). The slight increase in the gross profit margin of the OEM Business was mainly attributable to the increase in revenue which enhanced economies of scale through lowering the proportion of fixed cost. The performance of the Yo Yo Monkey Business was impacted by the COVID-19 Pandemic and the low birth rate in the PRC. Also, the selling price was reduced in response to the competitive business environment. Thus, the gross profit of the Yo Yo Monkey Business was lower in the first half of 2022. The changes in gross profit margin of the Group was also influenced by the increase in raw material costs.

Selling expenses

The selling expenses of the Group was approximately HK\$8.4 million for the six months ended 30 June 2022, representing a decrease of approximately HK\$0.1 million or 0.4% as compared to approximately HK\$8.5 million for the six months ended 30 June 2021. Such decrease was mainly attributable to the reduction in marketing and promotional spending for the Yo Yo Monkey Business, such as through reducing trade show participation, in the first half of 2022.

Administrative expenses

The administrative expenses of the Group amounted to approximately HK\$21.7 million for the six months ended 30 June 2022, representing a year-on-year increase of approximately HK\$5.0 million. Such increase mainly because of (i) the additional staff cost amounting to approximately HK\$3.2 million; and (ii) the change in expected credit losses for trade receivables of approximately HK\$0.5 million. The administrative expenses of the Group accounted for approximately 13.5% of total revenue for the six months ended 30 June 2022, representing an increase as compared to approximately 13.4% of total revenue for the six months ended 30 June 2021.

Other income/expenses and gains/losses

The Group recorded other net income and gains of approximately HK\$2.1 million for the six months ended 30 June 2022, as compared to the other net expenses and losses of approximately HK\$0.5 million for the six months ended 30 June 2021. The other income and gains were mainly sundry income, which primarily included government grants of approximately HK\$1.6 million and exchange gains of approximately HK\$0.4 million.

Finance income/expenses

The Group incurred net finance income of approximately HK\$153,000 for the six months ended 30 June 2022, as compared to the net finance expense of approximately HK\$64,000 for the six months ended 30 June 2021. The finance expenses were mainly interest expenses for the utilisation of bill facilities and lease liabilities, whilst the finance income was mainly bank depository interest.

Share of result of associates

The Group recorded a share of losses of associates of approximately HK\$3.5 million for the six months ended 30 June 2022, which was approximately HK\$2.1 million for the six months ended 30 June 2021. It was primarily attributable to the amortisation of intangible assets identified during the acquisition which amounted to approximately HK\$1.6 million and the share of loss amounting to approximately HK\$1.9 million in relation to Group's 40% interest in BRH2 Plastics, LLC.

Net profit

The Group recorded a net profit of approximately HK\$12.9 million for the six months ended 30 June 2022, as compared to a net profit of approximately HK\$6.6 million for the six months ended 30 June 2021. The improvement in net profit was mainly attributable to the improvement in revenue and gross profit margin of the OEM Business, which were primarily driven by the increase in sales orders from the major OEM Business customers.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2022, the cash and cash equivalents of the Group amounted to approximately HK\$140.7 million (31 December 2021: approximately HK\$123.2 million). The cash and cash equivalents of the Group as at 30 June 2022 were primarily denominated in Hong Kong dollars, Renminbi and US dollars and were mainly contributed by the cash generated from operating activities of the Group. The Group had net cash generated from operating activities of approximately HK\$21.1 million for the six months ended 30 June 2022, which was primarily driven by profit before taxation of HK\$19.0 million. As at 30 June 2022, the Group maintained banking facilities of HK\$30.0 million (31 December 2021: HK\$30.0 million). As at 30 June 2022, the gearing ratio of the Group (being total interest-bearing borrowings divided by total equity) was nil (31 December 2021: Nil).

CAPITAL COMMITMENT AND CAPITAL EXPENDITURE

As at 30 June 2022, the Group had no capital commitment (31 December 2021: Nil).

For the first half of 2022, the capital expenditure of the Group (being gross addition of property, plant and equipment) was approximately HK\$1,589,000 (first half of 2021: approximately HK\$567,000). Such capital expenditure was primarily for the acquisition of new machineries, tools and equipment.

TREASURY POLICY

The Group had a sufficient level of cash and banking facilities for the conduct of its trade in the normal course of business during the six months ended 30 June 2022. 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 are primarily denominated in US dollars, Renminbi and Hong Kong dollars. In particular, sales are primarily made in US dollars whereas payments of staff wages and salaries are in Renminbi and Hong Kong dollars. The Group is exposed to exchange rate risk, especially from the fluctuation of the value of Renminbi.

For the six months ended 30 June 2022, the Group recorded a gain on foreign exchange of approximately HK\$0.4 million (first half of 2021: loss on foreign exchange of approximately HK\$0.2 million).

The Group had not used any derivatives to hedge its exposure to foreign exchange risk during the six months ended 30 June 2022. 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 30 June 2022 (31 December 2021: Nil).

MATERIAL ACQUISITION, DISPOSAL AND INVESTMENT

The Group (i) did not perform any material acquisition or disposal of subsidiaries, associates or joint ventures or investments during the six months ended 30 June 2022; and (ii) did not hold any significant investment as at 30 June 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have future plans for material investments and capital assets during the six months ended 30 June 2022 and up to the date of this interim announcement.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no material contingent liabilities, nor was aware of any pending or potential material legal proceedings involving the Group.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this interim announcement, there is no other material change or major event required to be disclosed by the Company after 30 June 2022.

USE OF PROCEEDS FROM THE LISTING

The aggregate net proceeds to the Company from the listing of the Shares on the Main Board of the Stock Exchange (the “**Listing**”) (involving the issue of a total of 50,000,000 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.

As at 30 June 2022, the majority of the net proceeds from the Listing had already been utilised according to the manner described in (i) the section headed “Future plans and use of proceeds” in the prospectus of the Company dated 21 May 2018 (the “**Prospectus**”); and (ii) the reallocation of the unutilised use of proceeds stated in the announcement of the Company dated 11 March 2022. The details of use of proceeds are illustrated below:

	Original allocation of use of net proceeds from the Listing⁽¹⁾ <i>HK\$ million</i>	Reallocated use of net proceeds from the Listing⁽²⁾ <i>HK\$ million</i>	Actual utilisation up to 31 December 2021 <i>HK\$ million</i>	Actual utilisation up to 30 June 2022 <i>HK\$ million</i>	Unutilised amounts as at 30 June 2022 <i>HK\$ million</i>
Expansion of production capabilities	17.7	21.7	17.7	19.7	2.0
Development of the Yo Yo Monkey Business	13.0	19.1	13.0	15.7	3.4
Strengthening the client base of the OEM Business	5.3	2.1	2.1	2.1	—
Improve product development capabilities	8.8	1.9	1.9	1.9	—
Working capital and administrative expenses	3.8	3.8	3.8	3.8	—
Total	48.6	48.6	38.5	43.2	5.4

Notes:

- (1) Based on the allocation stated in the Prospectus.
- (2) Based on the reallocation described in the announcement of the Company dated 11 March 2022.

As shown in the above table, as at 30 June 2022, the total utilised amount was approximately HK\$43.2 million and the total unutilised amount was approximately HK\$5.4 million. The 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 expansion of production capabilities and development of the YoYo Monkey 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; (ii) the adverse impact of COVID-19 Pandemic on a worldwide scale; and (iii) the recent outbreak of the Ukraine Crisis. The Group therefore remained conservative on its marketing expenses and product development spending, rather than hastily expanding at a rapid pace. Nonetheless, following the reallocation of the unutilised use of proceeds stated in the announcement of the Company dated 11 March 2022, the Group expects the unutilised amounts can be fully utilised in the near term. The Directors currently expect the net proceeds to be fully utilised by 31 December 2022 in accordance with the following:

	Unutilised amounts as at 30 June 2022	Expected total utilisation amount for the 6 months ending 31 December 2022
	<i>HK\$ million</i>	<i>HK\$ million</i>
Expansion of production capabilities	2.0	2.0
Development of the Yo Yo Monkey Business	3.4	3.4
Total	<u>5.4</u>	<u>5.4</u>

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had 744 full-time employees (30 June 2021: 758), where the number of employees as at 30 June 2022 was comparable with that as at 30 June 2021. Nonetheless, the Group aims to further enhance the automation of the Production Base to streamline production processes and minimise labour demand and costs, for the enhancement of the profitability of the Group.

The Group places strong emphasis on the development and training of employees so as to equip them with the requisite skills and safety knowledge in performing their duties and to enhance the competitiveness of the Group.

Employees are remunerated and granted bonus based on their performance, work experience and prevailing market conditions. In compliance with the statutory requirements in the PRC, the Group participates in a social insurance scheme and a housing provident fund. The social insurance scheme includes pension insurance, medical insurance, maternity insurance, unemployment insurance and injury insurance. For the Hong Kong employees, the Group contributes to the Mandatory Provident Fund scheme as applicable. Employee benefit expenses of the Group for the first half of 2022 was approximately HK\$40.9 million (first half of 2021: approximately HK\$35.5 million).

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 19 to the condensed consolidated interim financial information of the Company in this interim announcement.

PROSPECTS

The future has become even more unpredictable. The roll out of vaccines and public health measures had, to a certain extent, eased the COVID-19 Pandemic, but the outbreak of the Ukraine Crisis in the first half of 2022 gave another blow to the global economy. The prolonged COVID-19 Pandemic, together with high inflation and weakened consumer confidence in the major economies following the Ukraine Crisis, are some of the factors that cast significant doubt on the economic outlook, which may in turn cause an adverse impact towards the performance of the businesses of the Group.

The Group had recorded a year-on-year growth in revenue and profit for the six months ended 30 June 2022, such increase was mainly because (i) major customers based in the United States took an optimistic view of the market during the first quarter of 2022; and (ii) certain sales orders, which were supposed to be placed in the fourth quarter of 2021, were delayed and placed in early 2022. However, along with the unfavourable economic climate in the United States, the orders on hand of the Group demonstrated a notable declining trend since May 2022, therefore the performance of the Group in the second half of 2022 is challenging.

The OEM Business is dependent on the United States market as a significant portion of revenue is derived from customers based in the United States. The OEM Business is facing immense challenges from the high inflation and weakened consumer confidence in the United States, which are not expected to be sorted out in the near term. The Group will continue to proactively develop this business segment, including (i) liaising with existing customers to obtain sales orders for both existing and new product lines; (ii) liaising with potential customers on a worldwide basis to expand revenue stream, with an aim to gradually diversify the present focus on the United States market; (iii) enhancing

production capabilities to better fulfill the diverse needs of customers; and (iv) further exploring the PRC market by leveraging the experiences accumulated with overseas customers and the connections obtained through the Yo Yo Monkey Business.

The Yo Yo Monkey Business is dependent on the PRC market and the performance of the business has been and is expected to continue to be challenged by (i) the COVID-19 Pandemic, which caused lockdowns and economic downturns; (ii) fierce local competition, particularly resulting from the shift from offline to online market, which undermined the sales of the Group; and (iii) the record-low birth rate in the PRC in decades, which weakened industry product demand. However, the Group believes that the Yo Yo Monkey Business is well positioned to capture the growing potential in the PRC market in light of, among other things, (i) “Yo Yo Monkey (優優馬騮)” is one of the few quality baby brand products originated from Hong Kong that has established its market presence in the PRC over the years; and (ii) the recent three-child policy in the PRC, which may help to increase future birth rate, hence product demand. Moreover, in order to cope with the gradual shift in market landscape from offline to online sales, the Group has continuously placed efforts on enhancing its internet platforms with a view to better capture sales opportunities.

In respect of BRH2 Plastics, LLC (a 40% owned associate of the Company), its performance was also affected by the negative macro-economic environment. The Group expects it can generate more synergies when the market conditions further improve.

While the business environment may be unavoidably volatile and uncertain, the Group will continue to review its business strategies. With the goals of achieving sustainable growth and delivering value to the shareholders of the Company (the “**Shareholders**”) in mind, the Directors will continue to devote their best efforts to ensure business chances are well captured and resources are well utilised. The long term strategic relationships established with business partners (including customers and suppliers) and the accumulated industry reputation and experience are part of the core competitiveness of the Group. The Group, together with its business partners and employees as a whole, will bravely move forward, cautiously overcome obstacles and satisfactorily reach goals in future.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code. Having made specific enquiry to all the Directors, they have all confirmed that they have complied with the required standard as set out in the Model Code for the six months ended 30 June 2022.

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 listed securities of the Company for the six months ended 30 June 2022.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining high standards of corporate governance. For the six months ended 30 June 2022, the Company had adopted and complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company has discussed with the management of the Company the internal control and financial reporting matters relating to the preparation of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2022. It has also reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 with the management and the auditor of the Company and recommended them to the Board for approval.

The Company's independent auditor, PricewaterhouseCoopers, has also reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.mainsuccess.cn). The interim report for the six months ended 30 June 2022 of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

On behalf of the Board
MS Group Holdings Limited
Chau Ching
Chairman

Hong Kong, 24 August 2022

As of the date of this announcement, the executive Directors are Mr. Chau Ching, Mr. Chung Kwok Keung Peter, Mr. Chung Leonard Shing Chun and Mr. Chau Wai; and the independent non-executive Directors are Mr. Yu Hon To David, Mr. Seto John Gin Chung and Mr. Asvaintra Bhanusak.