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MS GROUP HOLDINGS LIMITED

萬成集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1451)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the “**Board**”) of directors (the “**Directors**”) of MS Group Holdings Limited (the “**Company**”) is pleased to present the audited annual consolidated financial results of the Company and its subsidiaries (together the “**Group**”) for the year ended 31 December 2023, together with the comparative figures for the corresponding period of 2022, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
Revenue	2	233,990	260,142
Cost of sales		<u>(158,865)</u>	<u>(180,345)</u>
Gross profit		75,125	79,797
Selling expenses		(9,170)	(13,301)
Administrative expenses		(38,298)	(41,154)
Other income	4	768	2,666
Other gains/(losses), net	5	<u>164</u>	<u>(341)</u>
Operating profit		28,589	27,667
Finance income		4,713	1,532
Finance expenses		<u>(662)</u>	<u>(705)</u>
Finance income, net		<u>4,051</u>	<u>827</u>
Share of result of associates	11	<u>(8,640)</u>	<u>(8,278)</u>
Profit before taxation		24,000	20,216
Taxation	6	<u>(7,718)</u>	<u>(6,411)</u>
Profit for the year		<u><u>16,282</u></u>	<u><u>13,805</u></u>

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Attributable to:			
— Equity holders of the Company		<u>16,282</u>	<u>13,805</u>
		<i>HK cents</i>	<i>HK cents</i>
Profit per share attributable to equity holders of the Company during the year			
Basic and diluted	7	<u>8.14</u>	<u>6.90</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	16,282	13,805
Items that may be reclassified to consolidated income statement:		
Exchange translation differences	<u>(2,917)</u>	<u>(10,052)</u>
Total comprehensive income for the year attributable to:		
— Equity holders of the Company	<u>13,365</u>	<u>3,753</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		32,861	28,044
Right-of-use assets		1,704	5,933
Investment in associates	11	<u>1,243</u>	<u>9,883</u>
		<u>35,808</u>	<u>43,860</u>
Current assets			
Inventories		39,054	39,057
Trade and other receivables	9	44,786	27,649
Deposits and prepayments		9,200	3,922
Cash and cash equivalents		<u>126,294</u>	<u>134,798</u>
		<u>219,334</u>	<u>205,426</u>
Total assets		<u><u>255,142</u></u>	<u><u>249,286</u></u>
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		20,000	20,000
Share premium		36,614	36,614
Other reserves		(2,520)	9
Retained earnings		<u>155,473</u>	<u>151,191</u>
Total equity		<u><u>209,567</u></u>	<u><u>207,814</u></u>

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		—	1,810
Deferred income tax liabilities		<u>4,985</u>	<u>2,976</u>
		<u>4,985</u>	<u>4,786</u>
Current liabilities			
Trade and other payables	<i>10</i>	36,269	30,330
Lease liabilities		1,767	4,200
Tax payable		<u>2,554</u>	<u>2,156</u>
		<u>40,590</u>	<u>36,686</u>
Total liabilities		<u>45,575</u>	<u>41,472</u>
Total equity and liabilities		<u>255,142</u>	<u>249,286</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1 BASIS OF PREPARATION

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

(i) The adoption of new and amended standards

In 2023, the Group adopted the following new and amended standards which are relevant to its operations.

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform — Pillar Two Model Rules
HKFRS 17 and HKFRS 17 (Amendments)	Insurance Contracts
HKFRS 17 (Amendment)	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information

The Group has assessed the impact of the adoption of these new and amended standards and considered that there was no significant impact on the Group’s results and financial position.

(ii) Amendments to existing standards and interpretation that are not yet effective

Amendments		Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HK-Int 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group has not early adopted the above amendments and is in the process of assessing the impact of these amendments on the Group’s accounting policies and consolidated financial statements.

2 REVENUE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from OEM Business customer products	221,914	241,119
Revenue from own brand products	12,076	19,023
	<u>233,990</u>	<u>260,142</u>

3 SEGMENT INFORMATION

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

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

The segment information provided to the chief operating decision-maker for the year ended 31 December 2023 and 2022 is as follows:

	2023			2022		
	OEM Business customer products <i>HK\$'000</i>	Own brand products <i>HK\$'000</i>	Total <i>HK\$'000</i>	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	221,914	12,076	233,990	241,119	19,023	260,142
Cost of sales	(150,231)	(8,634)	(158,685)	(167,498)	(12,847)	(180,345)
Gross profit	71,683	3,442	75,125	73,621	6,176	79,797
Selling expenses			(9,170)			(13,301)
Administrative expenses			(38,298)			(41,154)
Other income			768			2,666
Other gains/(losses), net			164			(341)
Finance income, net			4,051			827
Share of result of associates			(8,640)			(8,278)
Profit before taxation			24,000			20,216
Taxation			(7,718)			(6,411)
Profit for the year			<u>16,282</u>			<u>13,805</u>

For the year ended 31 December 2023 and 2022, the Group recognised all revenue from contracts with customers on a point in time basis.

Geographical information

The Group's revenue is mainly derived from customers located in the United States of America ("US"), 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:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
US	220,866	230,550
Italy	630	1,489
PRC	11,192	25,663
Others	1,302	2,440
	<u>233,990</u>	<u>260,142</u>

Major customers' information

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
The largest customer	145,523	129,449
The second largest customer	67,828	88,477

Non-current assets information

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,116	1,238
PRC	33,449	32,739
US	1,243	9,883
	<u>35,808</u>	<u>43,860</u>

4 OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Government grant	639	2,103
Sundries	<u>129</u>	<u>563</u>
	<u>768</u>	<u>2,666</u>

5 OTHER GAIN/(LOSSES), NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Net foreign exchange gain/(losses)	155	(303)
Gains/(losses) on disposal of property, plant and equipment	<u>9</u>	<u>(38)</u>
	<u>164</u>	<u>(341)</u>

6 TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current income tax		
Hong Kong Profits Tax	2,393	5,048
PRC enterprise income tax	<u>3,316</u>	<u>1,927</u>
	5,709	6,975
Deferred income tax	<u>2,009</u>	<u>(564)</u>
	<u>7,718</u>	<u>6,411</u>

For each of the years ended 31 December 2023 and 2022, Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the years. PRC enterprise income tax has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the PRC.

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	24,000	20,216
Add: share of results of associates	<u>8,640</u>	<u>8,278</u>
Profit before tax and before share of results of associates	32,640	28,494
Calculated at a tax rate of 16.5% (2022: 16.5%)	5,386	4,702
Effect of different tax rates in other jurisdictions	1,774	282
Tax effect of expenses not deductible for tax purpose	1,076	1,161
Tax effect of income not taxable for tax purpose	(1,066)	(522)
Tax losses not recognised	<u>548</u>	<u>788</u>
Income tax expenses	<u>7,718</u>	<u>6,411</u>

7 EARNINGS PER SHARE

(a) Basic earnings per share

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

	2023	2022
Profit attributable to owners of the Company (HK\$'000)	16,282	13,805
Weighted average number of ordinary shares in issue (thousands)	200,000	200,000
Basic earnings per share (Hong Kong cents)	<u>8.14</u>	<u>6.90</u>

(b) Diluted earnings per share

Diluted earnings per share for the year ended 31 December 2023 and 2022 is equal to the basic earnings per share as the potential dilutive ordinary shares arising from exercise of the outstanding share options would be anti-dilutive.

8 DIVIDEND

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Final dividend proposed of HK3 cents per ordinary share (2022: HK3 cents)	6,000	6,000
Final special dividend proposed of HK3 cents per ordinary share (2022: HK3 cents)	<u>6,000</u>	<u>6,000</u>
	<u><u>12,000</u></u>	<u><u>12,000</u></u>

The final dividend and final special dividend proposed after the end of the reporting period has not been recognised as a liability at 31 December 2023. The amount of the 2023 proposed final dividend and final special dividend is expected to be paid on or around 26 June 2024 out of retained profit.

9 TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	40,888	29,009
Loss allowance	<u>(2,019)</u>	<u>(2,595)</u>
	<u>38,869</u>	<u>26,414</u>
Other receivables	3,660	455
Loan to an associate	<u>2,257</u>	<u>780</u>
	<u><u>44,786</u></u>	<u><u>27,649</u></u>

The loan to an associate is unsecured, interest-free and repayable on 2024.

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	31,545	18,965
31–60 days	3,277	1,677
61–90 days	800	936
Over 90 days	<u>3,247</u>	<u>4,836</u>
	<u><u>38,869</u></u>	<u><u>26,414</u></u>

10 TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	12,656	5,625
Accruals and other payables	20,708	21,796
Contract liabilities	<u>2,905</u>	<u>2,909</u>
	<u><u>36,269</u></u>	<u><u>30,330</u></u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	8,372	4,106
31–60 days	2,798	363
61–90 days	2	1
Over 90 days	<u>1,484</u>	<u>1,155</u>
	<u><u>12,656</u></u>	<u><u>5,625</u></u>

11 INVESTMENT IN ASSOCIATES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Associates	<u>1,243</u>	<u>9,883</u>

The share of net losses recognised in the consolidated income statement for the year ended 31 December 2023 included share of operating losses amounted HK\$4,287,000 (2022: HK\$3,608,000) before share of amortisation of intangible assets identified during the acquisition amounted HK\$3,231,000 (2022: HK\$3,231,000) and impairment loss of associates amounted HK\$1,122,000 (2022: HK\$1,439,000).

12 SHARE-BASED PAYMENTS

Share-based payments amounted HK\$388,000 (2022: HK\$981,000) was recognised in the consolidated income statement during the year ended 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the production and sales of plastic bottles and baby feeding accessories. The headquarters of the Group is located in Hong Kong while the production facilities of the Group are primarily situated in the PRC. 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)”, principally for the PRC market.

The businesses of the Group were uneasy and continued to face numerous challenges for the year ended 31 December 2023. During the year, the global economy was still slowly recovering from the COVID-19 pandemic, the worldwide inflation and the military conflict between Russia and Ukraine. In the midst of a sluggish industry environment, the customers of the Group generally became more conservative and were more reluctant to place more orders. As a result, the total revenue of the Group for the year ended 31 December 2023 lowered by approximately 10.1%.

The OEM Business focuses on the overseas market and it continued to be the primary revenue and profit contributor to the Group for the year ended 31 December 2023. Despite the sales orders received by the Group had lowered mainly due to the poor industry condition affected by the unfavourable global economy as aforementioned, the Group was still able to maintain healthy business relationship with its major customers and the profitability of the OEM Business in terms of gross profit margin for year 2023 improved as compared with that of the preceding year.

The Yo Yo Monkey Business focuses on the PRC market and it recorded a notable decline in sales in year 2023 as compared to that in year 2022, mainly as a result of fierce local competition and poor industry sentiment, which was in turn caused by, among other factors, (i) the market trend where online shopping gained popularity but the Group was not yet able to successfully capture such sales; and (ii) the real estate crisis and weakening confidence in the PRC. The number of third party physical retail stores in the PRC selling products of the Group decreased from 170 as of the end of year 2022 to 159 at the end of year 2023. In year 2023, despite the gross profit margin of the Yo Yo Monkey Business for year 2023 lowered as compared with the preceding year, the Group managed to control its overall selling expenses to a lower level.

Overall, despite the reduction in total revenue, the net profit attributable to the Shareholders of the Group rose from approximately HK\$13.8 million for the year ended 31 December 2022 to approximately HK\$16.3 million for the year ended 31 December 2023, representing an increase of approximately HK\$2.5 million or approximately 17.9%, which was mainly attributable to the enhancement of gross profit margin together with the reduction in selling expenses and the increase in finance income.

OUTLOOK AND STRATEGIC PLAN

The ongoing and potential crises around the world pose an ominous industry outlook. Global issues including the COVID-19 pandemic, the USA-China trade tension and the Russia-Ukraine and the Gaza-Israel military conflicts have not yet been entirely resolved. In respect of the PRC economy, the ongoing real estate crisis might further spill over to other sectors, ultimately causing adverse impacts to the businesses of the Group. Moreover, the low birthrate in the PRC is also unfavourable to the Group as it may dampen the future market growth of infant products. Hence, both of the OEM Business and the Yo Yo Monkey Business are expected to continue to face challenges and uncertainties in the upcoming period.

The Group keeps a close eye on the ever-changing market environment and takes appropriate strategic actions from time to time to align itself with the latest business trends. For the OEM Business, apart from ensuring the continuous provision of quality services and solidifying the business relations with existing major customers, the Group has also been (i) striving to identify new customers with a view to diversifying its customer base on a worldwide basis; and (ii) assessing possible means to enhance manufacturing capabilities and diversify product mix to more types of bottles. For the Yo Yo Monkey Business, the Group has been exploring ways to better utilise online sales platforms to cope with the online shopping trend in the PRC. In general, the Group has always been seeking workable approaches to drive down its overall operating costs and expenses for the enhancement of profitability, including through (i) further automating and streamlining manufacturing cycles to minimise labour force and wasted resources; and (ii) carefully examining the effectiveness of its administrative, selling and related expenses to minimise unnecessary expenditures.

FINANCIAL REVIEW

Revenue

Revenue of the Group amounted to approximately HK\$234.0 million for the year ended 31 December 2023 (2022: approximately HK\$260.1 million), representing a decrease of approximately 10.1% as compared with the preceding year. The revenue from both the OEM Business and the Yo Yo Monkey Business recorded a decline.

- ***OEM Business***

For the year ended 31 December 2023, revenue generated from the OEM Business amounted to approximately HK\$221.9 million, representing a decrease of approximately 8.0%, as compared to that of approximately HK\$241.1 million for the preceding year. For the year ended 31 December 2023, 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\$145.5 million (2022: approximately HK\$129.4 million), representing an increase of approximately 12.4%; and (ii) the revenue generated from the second largest customer of the Group amounted to approximately HK\$67.8 million (2022: approximately HK\$88.5 million), representing a decrease of approximately 23.3%. Despite the increase in revenue from the largest customer, the decline in total revenue was mainly attributable to the poor industry condition caused by the unfavourable macro-economic environment, where the customers of the Group generally became more conservative and were more reluctant to place more orders in view of the uncertainties of the future market. Nonetheless, the Group successfully secured sales orders of stainless steel sports bottle of approximately HK\$14.9 million for the year ended 31 December 2023 (2022: nil), where the Group manufactured the plastic parts and procured the metallic parts and packaging materials to produce the stainless steel sports bottle products.

- ***Yo Yo Monkey Business***

For the year ended 31 December 2023, the Yo Yo Monkey Business recorded revenue of approximately HK\$12.1 million, representing a decline of approximately 36.5% as compared to that of approximately HK\$19.0 million for the preceding year. Such decline was mainly due to the fierce local competition and poor industry sentiment in year 2023, where sales performance at physical retail shops recorded a decline while the Group was still on its way to develop its online sales business.

Gross profit

The overall gross profit of the Group was approximately HK\$75.1 million, representing an overall gross profit margin of approximately 32.1%, for the year ended 31 December 2023 as compared to that of approximately HK\$79.8 million, representing a gross profit margin of approximately 30.7% for the year ended 31 December 2022. For the year ended 31 December 2023, the gross profit margin of the OEM Business was approximately 32.3% (2022: approximately 30.5%) and the gross profit margin of the Yo Yo Monkey Business was approximately 28.5% (2022: approximately 32.5%). Overall, the Group was able to maintain its gross profit margin in year 2023 as compared with the preceding year.

Selling expenses

The Group incurred selling expenses of approximately HK\$9.2 million for the year ended 31 December 2023, representing a decrease of approximately 31.1% as compared to that of approximately HK\$13.3 million for the year ended 31 December 2022. Such decrease was mainly attributable to (i) the lowering of promotion expenses as part of the cost control measures of the Group; and (ii) the reduction of transportation expenses.

Administrative expenses

The administrative expenses of the Group amounted to approximately HK\$38.3 million for the year ended 31 December 2023, representing a decrease of approximately 6.9% as compared to that of approximately HK\$41.2 million for the year ended 31 December 2022. The reduction in administrative expenses was in line with the lowering of total revenue, where administrative expenses maintained at approximately 15.8% and 16.4% of total revenue for each of the years ended 31 December 2022 and 2023, respectively.

Other income and gains/losses

The Group recorded net other income of approximately HK\$0.9 million for the year ended 31 December 2023, as compared to net other income of approximately HK\$2.3 million for the year ended 31 December 2022. The lower net other income in year 2023 was mainly because the receipt of a one-off government grant of approximately HK\$1.2 million in year 2022, as compared to that of HK\$0.3 million in year 2023.

Finance income/expenses, net

The Group recorded net finance income of approximately HK\$4.1 million for the year ended 31 December 2023, as compared to that of approximately HK\$0.8 million net finance income for the year ended 31 December 2022. The higher net finance income in year 2023 was attributable to the higher depository interest income received from time deposits placed at banks during the year as a result of higher time deposit interest rate and principal amount. The Group did not purchase any financial product during the year ended 31 December 2023.

Share of result of associates

The Group recorded a share of losses of associates of approximately HK\$8.6 million for the year ended 31 December 2023 (2022: approximately HK\$8.3 million). The losses were attributable to share of operating loss amounting to approximately HK\$4.3 million (2022: approximately HK\$3.6 million) before share of amortisation of intangible assets amounting to approximately HK\$3.2 million (2022: approximately HK\$3.2 million) and impairment loss of associate amounting to approximately HK\$1.1 million (2022: approximately HK\$1.5 million).

Net profit

The Group recorded an improvement in net profit attributable to equity holders of the Company from approximately HK\$13.8 million for the year ended 31 December 2022 to approximately HK\$16.3 million for the year ended 31 December 2023 primarily due to the enhancement of gross profit margin together with the reduction in selling expenses and the increase in finance income.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2023, the cash and cash equivalents of the Group amounted to approximately HK\$126.3 million (2022: approximately HK\$134.8 million). The cash and cash equivalents of the Group as at 31 December 2023 were primarily denominated in Hong Kong dollars, Renminbi and United States dollars. The net decrease in cash and cash equivalents from 31 December 2022 to 31 December 2023 by approximately HK\$8.5 million was mainly attributable to (i) the payment of final dividend and special final dividend as stated in the announcement of the Company dated 17 March 2023 with an aggregate amount of approximately HK\$12.0 million while the increase in profit before income tax of approximately HK\$3.8 million from 31 December 2022 to 31 December 2023; and (ii) the increase in acquisition of property, plant and equipment by approximately HK\$8.9 million.

As at 31 December 2023, the Group maintained banking facilities of approximately HK\$30.0 million (2022: 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 2023, such banking facilities were not utilised.

As at 31 December 2023, the gearing ratio of the Group (being total interest-bearing borrowings divided by total equity) was nil (2022: Nil).

CAPITAL COMMITMENT AND CAPITAL EXPENDITURE

As at 31 December 2023, the Group had no capital commitment (2022: Nil).

For the year ended 31 December 2023, the capital expenditure of the Group (being gross addition of property, plant and equipment) was approximately HK\$10.7 million (2022: approximately HK\$1.8 million). Such capital expenditure was primarily for the acquisition of new machineries and equipment.

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 2023. 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 2023, the Group recorded a gain on foreign exchange of approximately HK\$0.2 million (2022: loss on foreign exchange of approximately HK\$0.3 million).

The Group had not used any derivatives to hedge its exposure to foreign exchange risk during the year ended 31 December 2023. 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 2023 (2022: nil).

MATERIAL ACQUISITION, DISPOSAL AND INVESTMENT

The Group did not perform any material acquisition or disposal of subsidiaries, associates or joint ventures or investments during the year ended 31 December 2023. The Group did not hold any significant investment as at 31 December 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual results announcement, the Group did not have other plans for material investments and capital assets during the year ended 31 December 2023 and up to the date of this annual results announcement.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no material contingent liabilities, nor was aware of any pending or potential material legal proceedings involving the Group.

EVENTS AFTER THE YEAR

As at the date of this annual results announcement, there is no other material change or major event required to be disclosed by the Company after 31 December 2023.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2023, the Group had 626 full-time employees (2022: 666). The reduction in the number of employees as at 31 December 2023 as compared to that of 31 December 2022 was mainly because of the lower demand for production workers (non-administrative staff) for manufacturing processes along with the reduction in the overall sales order received in year 2023.

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 in total for the year ended 31 December 2023 was approximately HK\$65.7 million (2022: approximately HK\$73.9 million).

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

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

PROSPECTS

The ongoing and potential crises around the world pose an ominous industry outlook, where both of the OEM Business and the Yo Yo Monkey Business are expected to continue to face challenges and uncertainties. In view of the aforesaid, the Group will maintain its cautious stance to venture through the arduous path in the upcoming period.

Currently, global issues including the COVID-19 pandemic, the USA-China trade tension and the Russia-Ukraine and the Gaza-Israel military conflicts have not yet been entirely resolved. Regarding the PRC economy, the ongoing real estate crisis might spill over to other sectors, causing direct or indirect adverse impacts to the businesses of the Group. Furthermore, the declining trend of the birthrate in the PRC is also unfavourable to the Group as it is likely to dampen the future growth of the infant product market.

The OEM Business primarily focuses on the overseas markets, where a majority of its revenue has been derived from customers based in the United States that are mainly brand owners. Over the years, the quality products and services delivered by the Group have been widely recognised by the market. However, adverse industry environment, consumer consumption sentiment and product ultimate demand are beyond the control of the Group and its customers. In year 2023, the weaker sales performance of the OEM Business was mainly attributable to the lower product demand by the customers of the Group as they became more prudent with their procurement levels under the uncertain industry environment. Despite such negative sentiment might linger in the near term, the Group will (i) continue to provide quality products and services with its best effort to strengthen its bonds with existing customers and uplift its reputation in the industry; (ii) exert efforts to develop business relationship with potential customers to broaden the customer base on a global basis to lower its reliance on limited geographical regions and customers; and (iii) explore possible enhancement of manufacturing capabilities for products including but not limited to plastic sports bottle and stainless steel sports bottle, primarily for meeting the demands of existing customers.

The Yo Yo Monkey Business primarily focuses on the mid-to-high end market in the infant and toddler segment in the PRC. The “Yo Yo Monkey (優優馬騮)” brand of the Group is one of the few quality baby products brand originated from Hong Kong. As such, the Group is well positioned to capture the growing potential in the PRC market. However, similar to the OEM Business, the sales performance of the Yo Yo Monkey Business has been adversely impacted by the unfavourable industry environment. Moreover, local competition and price wars have been very fierce in the market, where the Group faced immense challenges in growing its sales and enhancing margin. Furthermore, the lowering birth rate in the PRC might also weaken the future growth rate of the industry, where the population of the PRC fell for the first time in 60 years in year 2022 and continued to fell in year 2023. In addition, the growing popularity of online shopping, especially since the outbreak of the pandemic, has led to the ongoing contraction of the sales of the Group through retail shops. All these factors are detrimental to the development of the Yo Yo Monkey Business. Nonetheless, the Group will continue to leverage on its established brand name in the market and adapt to the changes in market needs with suitable strategies. For instance, the Group would consider to allocate resources to further enhance its online sales in order to accommodate with the latest market demand trend.

Aside from organic growth, the Group so attempts to drive growth through carefully exploring appropriate business and investment opportunities, including but not limited to (i) evaluating potential acquisition targets on a global basis, especially those that are able to bring production synergies to the Group; and (ii) cooperating with business partners to form strategic alliances to accelerate the business development of the Group. In 2021, the Group made an investment to obtain 40% interest in BRH2 Plastics, LLC and, although BRH2 Plastics, LLC has not yet generated profit to the Group, the Group endeavours to explore means to further generate synergies by capitalising the strengths of both parties.

The Group has steered through storms after storms since its establishment. In the recent past five years, even under the pandemic, the Group was able to overall maintain its financial performance in terms of net profit generation essentially through revenue enhancement and/or cost control. The stable running of the Group relies on (i) the long term relationships established among the Group and its upstream and

downstream business partners; and (ii) the team spirit within the Group among its experienced management team and prominent staff members. The Group is well-equipped and will make every effort to cope with the ever-changing needs and capture opportunities to drive long term growth. The near term outlook of the industry may not be very favourable, but the Group is committed to ride out the storm towards the better days to come.

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 2023.

DIVIDENDS

The Board has recommended the payment of a final dividend and a final special dividend of HK3 cents and HK3 cents per ordinary share, respectively, totaling HK6 cents per ordinary share for the year ended 31 December 2023 (2022: HK6 cents), amounting to a total of approximately HK\$12 million (2022: HK\$12 million), subject to approval of the shareholders of the Company at the forthcoming annual general meeting (the "AGM"). Upon approval of the shareholders of the Company, the proposed final dividend and final special dividend will be paid on or around 26 June 2024. The payment of dividend, particularly the final special dividend, was recommended after considering (i) the existing level of cash and cash equivalents and the working capital requirements for future business development of the Group, where surplus cash can be returned to shareholders; (ii) the ability of the Group to remain profitable; and (iii) the appreciation for the support of the Shareholders.

ANNUAL GENERAL MEETING

The AGM will be held on 27 May 2024. The notice of the AGM will be published on the websites of each of the Stock Exchange (www.hkexnews.hk) and the Company (www.mainsuccess.cn) in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in due course.

CLOSURE OF REGISTER OF MEMBERS

The Company will hold the AGM on Monday, 27 May 2024. The register of members of the Company will be closed from Wednesday, 22 May 2024 to Monday, 27 May 2024 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attendance and voting at the AGM, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 21 May 2024.

For determining the entitlement to the proposed final dividend and final special dividend, the register of members of the Company will be closed from Friday, 31 May 2024 to Wednesday, 5 June 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend and final special dividend, all transfer of Shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar and transfer office of the Company, Tricor Investor Services Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 30 May 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix C3 (previously Appendix 10) to the Listing Rules. The Company had made specific enquiries to all Directors and they had confirmed in writing their compliance with the required standard set out in the Model Code throughout the year ended 31 December 2023.

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining high standards of corporate governance. The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the "**CG Code**") under Appendix C1 (previously Appendix 14) to the Listing Rules. During the year ended 31 December 2023, the Company had complied with all applicable code provisions set out in the CG Code.

REVIEW OF FINANCIAL INFORMATION

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been reviewed by the Company's audit committee and agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement of the Company is published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.mainsuccess.cn). The annual report of the Company for the financial year ended 31 December 2023 containing all the relevant information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 21 March 2024

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.