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 2018

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 2018, together with the comparative figures for the corresponding period of 2017, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2018

	Note	**2018** *HK$'000*	2017 *HK$'000*
Revenue	*3*	**233,195**	225,750
Costs of sales		**(158,698)**	(146,073)
Gross profit		**74,497**	79,677
Selling expenses		**(31,784)**	(22,532)
Administrative expenses		**(32,600)**	(27,424)
Other income	*5*	**858**	1,285
Other losses, net	*6*	**(700)**	(339)
Listing expenses		**(8,827)**	(6,462)
Operating profit		**1,444**	24,205
Finance income		**163**	48
Finance expenses		**(353)**	(35)
Finance (expenses)/income, net		**(190)**	13
Profit before taxation		**1,254**	24,218
Taxation	*7*	**(4,374)**	(6,720)

	Note	**2018**	2017
		HK$'000	*HK$'000*
(Loss)/Profit for the year		**(3,120)**	17,498
Attributable to:			
— Equity holders of the Company		**(3,120)**	17,498
		HK cents	*HK cents*
(Loss)/Profit per share attributable to equity holders of the Company during the year			
Basic and diluted	*8*	**(1.74)**	11.67

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
(Loss)/Profit for the year	**(3,120)**	17,498
Items that may be reclassified to consolidated income statement:		
Exchange translation differences	**(3,234)**	1,767
Total comprehensive (loss)/income for the year attributable to:		
— Equity holders of the Company	**(6,354)**	19,265

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**34,707**	32,309
Current assets			
Inventories		**40,578**	42,727
Trade and other receivables	*10*	**34,678**	27,629
Deposits and prepayments		**14,067**	12,963
Tax recoverable		**147**	—
Pledged time deposits		**10,000**	10,000
Cash and cash equivalents		**83,270**	36,560
		182,740	129,879
Total assets		**217,447**	162,188
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		**20,000**	—
Share premium		**36,614**	—
Other reserves		**(56)**	3,178
Retained earnings		**95,736**	98,856
Total equity		**152,294**	102,034

	Note	**2018**	2017
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**87**	39
Current liabilities			
Trade and other payables	*11*	**33,550**	40,294
Bills payables		**6,086**	2,881
Amounts due to related companies		**—**	13,861
Amounts due to shareholders		**24,020**	—
Tax payable		**1,410**	3,079
		65,066	60,115
Total liabilities		**65,153**	60,154
Total equity and liabilities		**217,447**	162,188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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**"). The consolidated financial statements have been prepared on a historical cost basis.

Pursuant to the group reorganisation as set out in the prospectus of the Company dated 21 May 2018 (the "**Prospectus**"), which was completed on 15 May 2018 (the "**Reorganisation**"), the Company became the holding company of its subsidiaries now comprising the Group. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 1 June 2018. The consolidated financial statements of the Group have been prepared as if the Group had always been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

(a) The adoption of new amendments and improvements to existing standards

In the current year, the Group has applied the following new amendments and improvements to existing Hong Kong Accounting Standards ("**HKAS(s)**"), HKFRS (hereinafter collectively referenced to as the "**new HKFRSs**") issued by the HKICPA.

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15, Revenue from Contracts with Customers
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

The application of the above new standards, amendments and improvements to existing standards and interpretation in the current year has had no material impact on the Group's results and financial position, except HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers". As a result of adopting the standards, the Group had to change its accounting policies. The impact of adoption are disclosed in note 2.

(b) New standards, amendments and improvements to existing standards not yet effective

The Group has not early adopted the following new standards, amendments and improvements to existing standards that have been issued but are not yet effective.

Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Annual Improvements2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2021
[3] The mandatory effective date will be determined

The Group will adopt the above standards and amendments to existing standards as and when they become effective. None of the above is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 16 "Leases"

The adoption of HKFRS 16 is mandatory for annual reporting periods commencing on or after 1 January 2019. It will result most leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2018, the Group had non-cancellable operating lease commitments of HK$7.1 million. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The Group has not early adopted the standard in current financial year.

2 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group's consolidated financial statements.

(a) HKFRS 9 "Financial Instruments"

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

(i) *Classification and measurement*

The application of HKFRS 9 does not have material impact on the classification, recognition and measurement of the financial assets held by the Group at 31 December 2018, all financial assets of the Group categorised as loans and receivables under HKAS 39 were classified as financial assets at amortised cost under HKFRS 9. The application of HKFRS 9 does not affect the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss ("**FVPL**") and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 and have not been changed.

(ii) *Impairment of financial assets*

The Group assesses on a forward looking basis the expected credit losses associated with its debt securities assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The adjustment of expected credit losses to the opening retained earnings at 1 January 2018 is quantified immaterial to take be accounted for. At 31 December 2018, management has reassessed and recognised expected credit loss of HK$326,000 in profit or loss.

(b) HKFRS 15 "Revenue from Contracts with Customers"

The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from 1 January 2018 which resulted in changes in accounting policies. In accordance with the modified retrospective approach in HKFRS 15, comparative figures have not been restated.

The accounting policies were changed to comply with HKFRS 15, which replaces both the provisions of HKAS 18 Revenue and the related interpretations that relate to the recognition, classification and measurement of revenue and costs.

Apart from having an impact on the presentations and disclosures of certain items of the financial statements, the adoption of HKFRS 15 has no material impact to the consolidated income statement and has no impact to the net cash flow from operating, investing and financing activities on the consolidated statement of cash flows.

3 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 customers, and customers under its own brand. An analysis of the Group's revenue is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue from OEM business customer products	**170,171**	191,393
Revenue from own brand products	**63,024**	34,357
	233,195	225,750

4 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 Controlling Shareholders 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 2018 and 2017 is as follows:

	2018			2017		
	OEM business customer products	**Own brand products**	**Total**	OEM business customer products	Own brand products	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue from external customers	**170,171**	**63,024**	**233,195**	191,393	34,357	225,750
Cost of sales	**(123,182)**	**(35,516)**	**(158,698)**	(125,837)	(20,236)	(146,073)
Gross profit	**46,989**	**27,508**	**74,497**	65,556	14,121	79,677
Selling expenses			**(31,784)**			(22,532)
Administrative expenses			**(32,600)**			(27,424)
Listing expenses			**(8,827)**			(6,462)
Other income			**858**			1,285
Other losses, net			**(700)**			(339)
Finance cost, net			**(190)**			13
Profit before income tax			**1,254**			24,218
Taxation			**(4,374)**			(6,720)
(Loss)/Profit for the year			**(3,120)**			17,498

For the year ended 31 December 2018, 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 ("**USA**"), the Netherlands and the 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:

	2018	2017
	HK$'000	*HK$'000*
USA	**148,535**	166,548
Netherlands	**3,178**	8,090
PRC	**78,752**	47,280
Other countries	**2,730**	3,832
	233,195	225,750

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:

	2018	2017
	HK$'000	*HK$'000*
The largest customer	**83,175**	89,282
The second largest customer	**61,888**	65,977

Segment assets and liabilities

As at 31 December 2018 and 2017, non-current assets other than deferred income tax assets, amounted to HK$813,000 and HK$1,690,000 are located in Hong Kong and HK$33,894,000 and HK$30,619,000 are located in PRC. No other assets and liabilities are used by the chief operating decision-maker for performance assessment and resource allocation.

5 OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Rental income from leasing vehicles	**—**	99
Government grant	**498**	720
Sundries	**360**	466
	858	1,285

6 OTHER LOSSES, NET

	2018	2017
	HK$'000	*HK$'000*
Net foreign exchange losses	**(689)**	(326)
Loss on disposal of property, plant and equipment	**(11)**	(13)
	(700)	(339)

7 TAXATION

	2018	2017
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	**2,781**	4,063
PRC enterprise income tax	**1,544**	2,619
	4,325	6,682
Deferred income tax	**49**	38
Income tax expenses for the year	**4,374**	6,720

For each of the years ended 31 December 2018 and 2017, 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.

8 EARNINGS PER SHARE

(a) Basic (loss)/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:

	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit attributable to owners of the Company (HK$'000)	**(3,120)**	17,498
Weighted average number of ordinary shares in issue (thousands)	**179,167**	150,000
Basic (loss)/earnings per share (Hong Kong cents)	**(1.74)**	11.67

In determining the numbers of ordinary shares in issue, a total of 150,000,000 ordinary shares were deemed in issue since 1 January 2017.

(b) Diluted (loss)/earnings per share

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potentially dilutive ordinary shares outstanding as at 31 December 2017 and 2018.

9 DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 December 2018 and 2017.

10 TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables		
— Third parties	**34,222**	27,278
— Related parties	**—**	16
Loss allowance	**(326)**	—
	33,896	27,294
Other receivables		
— Third parties	**782**	335
	34,678	27,629

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:

	2018	2017
	HK$'000	*HK$'000*
0–30 days	**20,122**	20,605
31–60 days	**6,727**	4,170
61–90 days	**2,893**	1,336
Over 90 days	**4,154**	1,183
	33,896	27,294

The trade receivables due from related parties as at 31 December 2017 were unsecured, interest-free and had similar terms of repayment as third party receivables. There was no such balance as at 31 December 2018.

11 TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables		
— Third parties	**16,644**	18,737
— Related parties	**577**	—
	17,221	18,737
Accruals, other payables and receipts in advance		
— Third parties	**10,868**	21,557
Contract liabilities		
— Third parties	**5,461**	—
	33,550	40,294

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

	2018	2017
	HK$'000	*HK$'000*
0–30 days	**8,509**	11,833
31–60 days	**6,935**	2,549
61–90 days	**127**	331
Over 90 days	**1,650**	4,024
	17,221	18,737

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Group was listed on the Main Board (the "**Main Board**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 1 June 2018 (the "**Listing**"), making 2018 the year of milestone. The Group is principally engaged 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 (the "**OEM Business**"); 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 (the "**YoYo Monkey Business**") primarily in the People's Republic of China (the "**PRC**") market. However, 2018 was a challenging year for the Group. The Group had a slight annual growth in revenue in 2018 but faced an overall challenging business environment due to (i) the increase in unit procurement costs of raw materials, including plastic resin and packing materials; (ii) the concerns of the customers of the Group on the outlook of the industry economic environment in the United States of America (the "**United States**") due to the outbreak of trade war between the PRC and the United States; and (iii) the increase in selling expenses and administrative expenses along with the expansion of the Group. The Group recorded an overall revenue of HK$233.2 million for the year ended 31 December 2018 (2017: HK$225.8 million), representing an increase of approximately 3.3%, as compared to the preceding year.

In view of the growing consumerism and improving living standards in the PRC, the Group accelerated its pace to increase distribution in retail stores in the PRC and promotion through online channels. By the end of 2018, the number of third party retail stores in the PRC which sold the products of the Group increased to 393. (2017: 136)

The overall production output of the OEM Business dropped in 2018 due to the decrease in sales performance of the OEM Business, which was the main profit contributor to the Group, as compared to that of 2017. Although the trade war between the PRC and the United States did not have any material direct impact (such as tariffs) on the operations of the Group, the outbreak of trade war had led to concerns of the customers of the Group on the outlook of the industry economic environment in the United States, and therefore led to a decrease in demand of products from the OEM Business customers for the year ended 31 December 2018. Furthermore, along with the decline in sales orders, the profitability of the Group was negatively affected by the reduction in economies of scale. In view of the business uncertainty and the decline in the revenue of OEM Business, particularly in May and June 2018, the Group had increased efforts in developing OEM relationships in the PRC by leveraging its Yo Yo Monkey Business contacts and network.

The Yo Yo Monkey Business achieved substantial growth in sales in 2018 as compared to that of 2017, mainly due to the increased efforts placed on marketing, promotional and other sales related activities in the PRC and the established relationship with certain retailers and distributors. The increased efforts were necessary to expand the brand's distribution footprint and were expected to be beneficial for the long-term development of the Yo Yo Monkey Business. In addition, apart from the flagship product logo "Yo Yo Monkey (優優馬騮)" which carries a monkey character cartoon, the Group had also started to develop other animal character cartoon logos to provide consumers with a wider variety of choices and to assist in the market penetration of this business segment.

FINANCIAL REVIEW

Revenue

Revenue of the Group amounted to approximately HK$233.2 million for the year ended 31 December 2018 (2017: HK$225.8 million), representing an annual increase of approximately 3.3%. The increase was mainly attributable to the growth of the Yo Yo Monkey Business.

- ***OEM Business***

  For the year ended 31 December 2018, revenue generated from the OEM Business amounted to approximately HK$170.2 million, representing an approximately 11.1% annual decline, as compared to that of approximately HK$191.4 million for the preceding year. The trade war between the PRC and the United States did not have any material direct impact (such as tariffs) on the operations of the Group but the outbreak of the trade war had led to concerns of the customers of the Group on the outlook of the industry economic environment in the United States. For the year ended 31 December 2018, the Group recorded an overall decrease in demand of products from the OEM Business customers (particularly customers with a smaller scale of business with the Group). For the year ended 31 December 2018, 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 did not recover as the Group had expected and amounted to approximately HK$83.2 million (2017: HK$89.3 million), representing an annual decline of approximately 6.8%, and was significantly less than that anticipated by the Group during 2018; and (ii) the revenue generated from the second largest customer of the Group amounted to approximately HK$61.9 million (2017: HK$66.0 million), representing an annual decline of approximately 6.2%.

- ***Yo Yo Monkey Business***

  For the year ended 31 December 2018, the Yo Yo Monkey Business achieved revenue of approximately HK$63.0 million, representing an annual increase of approximately 83.1% as compared to that of approximately HK$34.4 million for the preceding year. Such substantial growth in sales in the year of 2018 was mainly attributable to the increased efforts placed on marketing and promotional activities in the PRC.

Gross profit

The gross profit of the Group for the year ended 31 December 2018 was approximately HK$74.5 million, representing a gross profit margin of approximately 31.9%, as compared to that of approximately HK$79.7 million, representing a gross profit margin of approximately 35.3% for the year ended 31 December 2017. For the year ended 31 December 2018, the gross profit margin of the OEM Business was approximately 27.6% (2017: 34.3%) and the gross profit margin of the Yo Yo Monkey Business was approximately 43.6% (2017: 41.1%). The decline in gross profit margin of the Group was mainly attributable to (i) the increase in operating costs of the Group in the PRC; (ii) the increase in unit procurement costs of raw materials, including plastic resin and packaging materials; and (iii) the lowered revenue for the OEM Business while factory fixed overhead costs remained roughly the same.

Selling expenses

The Group incurred selling expenses of approximately HK$31.8 million for the year ended 31 December 2018, representing an increase of approximately 41.3% as compared to that of approximately HK$22.5 million for the year ended 31 December 2017. The significant increase in selling, distribution and promotion expenses was mainly attributable to the efforts made to develop and promote the "Yo Yo Monkey (優優馬騮)" brand, being a growing business segment of the Group in the PRC.

Administrative expenses

The administrative expenses of the Group amounted to approximately HK$32.6 million for the year ended 31 December 2018, representing an increase of approximately 19.0% as compared to that of approximately HK$27.4 million for the year ended 31 December 2017, to support the business growth of the Group. Administrative expenses accounted for approximately 14.0% of the total revenue for the year ended 31 December 2018, representing a slight increase as compared to that of approximately 12.1% of the total revenue for the year ended 31 December 2017, due to the increase in payroll expenses on additional headcounts and the increased professional fees after the Listing, along with the development of the businesses of the Group.

Other income and gains

The Group recorded net other income and gains of approximately HK$158,000 for the year ended 31 December 2018, as compared to that of approximately HK$946,000 for the year ended 31 December 2017. The net other income and gains were mainly derived from government grant and sundry income.

Listing expenses

The Group incurred listing expenses of approximately HK$8.8 million for the year ended 31 December 2018, as compared to that of approximately HK$6.5 million for the year ended 31 December 2017.

Finance expense/income

The Group incurred net finance expenses of approximately HK$190,000 for the year ended 31 December 2018, as compared to that of approximately HK$13,000 net finance income for the year ended 31 December 2017. The finance expenses were mainly interest expenses for the utilisation of bill facilities, while the finance income was mainly derived from bank depository interest.

Net loss/profit

As mentioned above, the revenue of the Group recorded an annual increase of approximately 3.3% for the year ended 31 December 2018, which was driven by the growth of the Yo Yo Monkey Business. However, due to the reduction in gross profit margin of the OEM Business, the increase in selling expenses for business development and the incurrence of Listing expenses, the Group recorded a net loss of approximately HK$3.1 million for the year ended 31 December 2018, as compared to that of a net profit of approximately HK$17.5 million for the year ended 31 December 2017. For illustrative purposes, the net profit before Listing expenses of the Group for the year ended 31 December 2018 was approximately HK$5.7 million (2017: HK$24.0 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2018, the cash and cash equivalents of the Group amounted to approximately HK$83.3 million (2017: HK$36.6 million). The cash and cash equivalents of the Group as at 31 December 2018 were primarily denominated in Hong Kong dollars and United States dollars and were mainly contributed by the net proceeds from the Listing. The Group had net cash used in operating activities of approximately HK$23.8 million for the year ended 31 December 2018, as compared to that of net cash generated from operating activities of approximately HK$9.6 million for the year ended 31 December 2017, where such difference was mainly attributable to (i) the Group recorded profit before taxation of approximately HK$1.3 million for the year ended 31 December 2018 as compared to profit before taxation of approximately HK$24.2 million for the year ended 31 December 2017; and (ii) the net settlement amount with related companies of approximately HK$13.9 million for the year ended 31 December 2018 as compared to that of approximately HK$7.8 million for the year ended 31 December 2017.

As at 31 December 2018, the Group maintained banking facilities of approximately HK$10.0 million (2017: HK$10.0 million), which were partly utilised as bills facilities to settle payments to suppliers.

As mentioned in the prospectus of the Company dated 21 May 2018 (the "**Prospectus**"), on 11 May 2018, the Group entered into a loan agreement with an independent third party and was granted with an unsecured interest-bearing loan amounted to HK$12.0 million carrying a fixed interest rate of 5% per annum due on 9 July 2018 for short term financing. This loan was fully repaid on 9 July 2018 in accordance with the terms of the loan agreement.

As at 31 December 2018, the Group had amounts due to its shareholders of approximately HK$24.0 million, which were unsecured fixed interest rate Hong Kong dollar borrowings repayable on 31 December 2019 to Mr. Chau Ching and Mr. Chung Kwok Keung Peter pursuant to loan agreements entered into in December 2018.

As at 31 December 2018, the gearing ratio of the Group (being total interest-bearing borrowings divided by total equity) was approximately 15.8% (2017: nil).

CAPITAL COMMITMENT AND CAPITAL EXPENDITURE

As at 31 December, 2018, the Group had no capital commitment (2017: nil).

For the year ended 31 December 2018, the capital expenditure of the Group (being gross addition of property, plant and equipment) was approximately HK$10.0 million (2017: HK$5.5 million). This capital expenditure was primarily for the acquisition of new machineries, tools and equipments.

For further information on future capital expenditure, please refer to the section headed "Future plans and use of proceeds" in the Prospectus.

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 year ended 31 December 2018. 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 HK dollars. The Group was exposed to exchange rate risk, especially from the fluctuation of the value of Renminbi.

For the year ended 31 December 2018, the Group recorded a HK$689,000 loss on foreign exchange.

The Group had not used any derivatives to hedge its exposure to foreign exchange risk during the year ended 31 December 2018. 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

Save for a deposit of HK$10.0 million pledged to secure the banking facilities for the Group, none of the assets of the Group were pledged as at 31 December 2018.

MATERIAL ACQUISITION, DISPOSAL AND INVESTMENT

Apart from the reorganisation in relation to the Listing as detailed in the section headed "History, reorganisation and corporate structure" in the Prospectus, the Group did not perform any material acquisition or disposal of subsidiaries, associates or joint ventures or investments during the year ended 31 December 2018. The Group did not hold any significant investment as at 31 December 2018.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have other plans for material investments and capital assets during the year ended 31 December 2018 and up to the date of this announcement.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no material contingent liabilities, nor was aware of any pending or potential material legal proceedings involving the Group.

EVENTS AFTER THE YEAR

As at the date of this announcement, there is no other material change or major event required to be disclosed by the Company after 31 December 2018.

USE OF PROCEEDS FROM THE LISTING

The aggregate net proceeds to the Company from the Listing (involving the issue of a total of 50,000,000 ordinary shares of the Company (the "**Share(s)**") 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 31 December 2018, a portion of the net proceeds from the Listing had been utilising in the second half of 2018 with reference to the "Future plans and use of proceeds" in the Prospectus as follows:

Use of net proceeds	**Net proceeds from the Listing**	**Actual utilisation up to 31 December 2018**	**Unutilised amounts as at 31 December 2018**
	HK$ million	*HK$ million*	*HK$ million*
Expansion of production capabilities	17.7	3.0	14.7
Development of the Yo Yo Monkey Business	13.0	4.6	8.4
Strengthening the client base of the OEM Business	5.3	0.1	5.2
Improve product development capabilities	8.8	0.3	8.5
Working capital and administrative expenses	3.8	1.0	2.8
Total	48.6	9.0	39.6

The unutilised amounts of the net proceeds will be applied in the manner consistent with that mentioned in the Prospectus. In particular, (i) regarding the expansion of production capabilities, the Group will acquire injection machines and other machineries as planned; and (ii) regarding strengthening the client base of the OEM Business, the Group will increase its efforts to participate in trade shows and marketing activities and hire additional personnel as planned. As at 31 December 2018, the unutilised net proceeds was deposited in short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

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 31 December 2018, the Group had 793 full-time employees (2017: 849). The Group placed 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 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 injury insurance. For the Hong Kong employees, the Group contributed to the mandatory provident fund scheme as applicable. Employee benefit expenses of the Group for the year ended 31 December 2018 was approximately HK$65.2 million (2017: HK$ 56.6 million).

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

The Group had adopted a share option scheme pursuant to a written resolution of the shareholders of the Company (the "**Shareholders**") passed on 15 May 2018 (the "**Share Option Scheme**"). No share option had been granted by the Company under the Share Option Scheme since its adoption.

PROSPECTS

The OEM Business, which is a significant income contributer of the Group, will continue to face uncertainties in the United States market. The revenue from the major customers of the OEM Business may not be as favorable as expected. If relevant trade policies or legislation are further enacted between the PRC and the United States, the performance of the OEM Business might accordingly be adversely affected. Nevertheless, the Group will continue to develop this business segment, including liaising with both existing and potential customers to obtain more sales orders and further exploring the PRC market by leveraging the experiences accumulated with overseas customers and the connections obtained from the Yo Yo Monkey Business.

The Yo Yo Monkey Business is still in the growing stage. The Group endeavors to ride on the industry growth potential created by the relaxation of the one-child policy in the PRC since 2016 and also by the increasing demand for innovative, high-quality infant and toddler products along with the improving economy in the PRC. However, at the same time, brand building requires enormous costs and the Group will continue incurring selling and marketing expenses for both offline and online marketing and other related activities in the upcoming period for the long-term development of the Yo Yo Monkey Business.

The utilisation of the net proceeds from the Listing, including but not limited to upgrading existing production facilities and equipments, engaging in promotional activities and improving product development capabilities, will improve the overall business performance of the Group. The Group aims to uphold its manufacturing production utilisation level of existing facilities, maintain existing customers' relationship to achieve organic sales growth, develop new product types from internal resources and through collaboration with different business partners, and further expand customer portfolio.

The OEM Business has established long term strategic relationships with the major customers and has also accumulated reputation and experience in the industry. On the other hand, in respect of the Yo Yo Monkey Business, the Group focuses on building a solid image of "Yo Yo Monkey (優優馬騮)" as a quality Hong Kong brand. As the "Yo Yo Monkey (優優馬騮)" brand of the Group is one of the several baby brand products originated from Hong Kong, it is well positioned to capture the growing potential in the infant and toddler products market in the PRC. In respect of business growth drivers, apart from the ongoing efforts on the procurement of new customers, the Group will be more active in seeking and investigating opportunities including horizontal acquisition and licenses collaboration with synergy effects, such as those being able to equip the Group with technologies, licenses and facilities to produce a wider variety of infant and toddler's products. Last but not least, online shopping has become increasingly popular among consumers over the past several years. This trend is now accounting for a greater share of total retail sales in the PRC. The Group will therefore continue to develop its e-commerce channel to tap this fast-growing market.

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 since the listing of the Company on 1 June 2018 up to the date of this announcement.

DIVIDENDS

The Board does not recommend a final dividend for the year ended 31 December 2018.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year 2019 (the "**AGM**") will be held on Monday, 27 May 2019. The notice of the AGM will be published and distributed to the Shareholders in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in due course.

CLOSURES OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 22 May 2019 to Monday, 27 May 2019 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attendance and vote 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 21 May 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 to the Listing Rules. The Company had made specific enquiries to all Directors and they had confirmed in writing their compliance with the required standard set out in the Model Code since the listing of the Company on 1 June 2018 up to the date of this announcement.

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 and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules. Since the listing of the Company on 1 June 2018 up to the date of this announcement, the Company has complied with all the applicable code provisions set out in the CG Code.

REVIEW OF FINANCIAL INFORMATION

The financial information has been reviewed by the audit committee of the Company, approved by the Board and agreed by the Group's external auditor, PricewaterhouseCoopers, to the amounts set out in the audited financial statements.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The 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 2018 containing all the relevant information required by the Listing Rules will be despatched to the Shareholders on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 15 March 2019

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.