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 2019

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 2019, together with the comparative figures for the corresponding period of 2018, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*3*	**262,279**	233,195
Cost of sales		**(178,085)**	(158,698)
Gross profit		**84,194**	74,497
Selling expenses		**(26,380)**	(31,784)
Administrative expenses		**(40,713)**	(32,600)
Other income	*5*	**1,912**	858
Other losses, net	*6*	**(362)**	(700)
Listing expenses		**—**	(8,827)
Operating profit		**18,651**	1,444
Finance income		**712**	163
Finance expenses		**(1,303)**	(353)
Finance expenses, net		**(591)**	(190)
Profit before taxation		**18,060**	1,254
Taxation	*7*	**(5,441)**	(4,374)

	Note	**2019**	2018
		HK$'000	*HK$'000*
Profit/(Loss) for the year		**12,619**	(3,120)
Attributable to:			
— Equity holders of the Company		**12,619**	(3,120)
		HK cents	*HK cents*
Profit/(Loss) per share attributable to equity holders of the Company during the year			
Basic and diluted	*8*	**6.31**	(1.74)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
Profit/(Loss) for the year	**12,619**	(3,120)
Items that may be reclassified to consolidated income statement:		
Exchange translation differences	**(1,440)**	(3,234)
Total comprehensive income/(loss) for the year attributable to:		
— Equity holders of the Company	**11,179**	(6,354)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**36,424**	34,707
Right of use assets		**6,646**	—
		43,070	34,707
Current assets			
Inventories		**35,986**	40,578
Trade and other receivables	*10*	**33,822**	34,678
Deposits and prepayments		**5,808**	14,067
Tax recoverable		**—**	147
Pledged time deposits		**—**	10,000
Cash and cash equivalents		**82,269**	83,270
		157,885	182,740
Total assets		**200,955**	217,447
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		**20,000**	20,000
Share premium		**36,614**	36,614
Other reserves		**(1,496)**	(56)
Retained earnings		**107,973**	95,736
Total equity		**163,091**	152,294

	Note	2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		**4,136**	—
Deferred income tax liabilities		**80**	87
		4,216	87
Current liabilities			
Trade and other payables	*11*	**27,164**	33,550
Bills payables		**—**	6,086
Lease liabilities		**2,941**	—
Amounts due to shareholders		**—**	24,020
Tax payable		**3,543**	1,410
		33,648	65,066
Total liabilities		**37,864**	65,153
Total equity and liabilities		**200,955**	217,447

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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) New standards and amendments to standards

A number of new standards and amendments to standards became applicable for the current reporting period. The Group has changed its accounting policies as a result of adopting HKFRS 16 Leases. The impact of the adoption of the standard and the new accounting policies are disclosed in note 2 below. The adoption of other new standards and amendments to standards does not have a significant impact on the Group's accounting.

(b) Effect of standards issued but not yet applied by the Group

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021

These new standards, new interpretations and amendments to standards and interpretations are not expected to have a material impact on the entity in the current reporting periods and on foreseeable future transactions.

2 CHANGES IN ACCOUNTING POLICIES

HKFRS 16 Leases

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

The Group leases various offices and warehouses. Rental contracts are typically made for fixed periods but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the financial year of 2018, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance expenses. The finance expenses is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date.

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

Extension options are included in an office lease across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was ranged from 4.75% to 5.65%.

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	7,112
Discounted using the lessee's incremental borrowings rate at the date of initial application	6,273
Add: Lease liabilities recognised on extension options estimates	3,896
Discounted using the lessee's incremental borrowings rate at the date of initial application, lease liabilities recognised as at 1 January 2019	10,169

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- Right-of-use assets — increase by HK$9,787,000
- Lease liabilities (current portion) — increase by HK$3,001,000
- Lease liabilities (non-current portion) — increase by HK$7,168,000
- Retained earnings — decrease by HK$382,000

Consolidated statement of financial position (extract)

	31 December 2019	1 January 2019
	HK$'000	*HK$'000*
Right-of-use assets	**6,646**	9,787
Current lease liabilities	**2,941**	3,001
Non-current lease liabilities	**4,136**	7,168
Total lease liabilities	**7,077**	10,169

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

	2019	2018
	HK$'000	*HK$'000*
Revenue from OEM Business customer products	**214,009**	170,171
Revenue from own brand products	**48,270**	63,024
	262,279	233,195

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 2019 and 2018 is as follows:

	2019			2018		
	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	**214,009**	**48,270**	**262,279**	170,171	63,024	233,195
Cost of sales	**(149,710)**	**(28,375)**	**(178,085)**	(123,182)	(35,516)	(158,698)
Gross profit	**64,299**	**19,895**	**84,194**	46,989	27,508	74,497
Selling expenses			**(26,380)**			(31,784)
Administrative expenses			**(40,713)**			(32,600)
Listing expenses			**—**			(8,827)
Other income			**1,912**			858
Other losses, net			**(362)**			(700)
Finance expenses, net			**(591)**			(190)
Profit before taxation			**18,060**			1,254
Taxation			**(5,441)**			(4,374)
Profit/(Loss) for the year			**12,619**			(3,120)

For the year ended 31 December 2019 and 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 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:

	2019	2018
	HK$'000	*HK$'000*
USA	**188,883**	148,535
Netherlands	**1,827**	3,178
PRC	**68,270**	78,752
Other countries	**3,299**	2,730
	262,279	233,195

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:

	2019	2018
	HK$'000	*HK$'000*
The largest customer	**110,634**	83,175
The second largest customer	**89,284**	61,888

Segment assets and liabilities

As at 31 December 2019 and 2018, non-current assets amounted to HK$2,515,000 and HK$813,000 are located in Hong Kong and HK$40,555,000 and HK$33,894,000 are located in PRC.

5 OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Government grant	**1,825**	498
Sundries	**87**	360
	1,912	858

6 OTHER LOSSES, NET

	2019	2018
	HK$'000	*HK$'000*
Net foreign exchange losses	**(95)**	(689)
Loss on disposal of property, plant and equipment	**(267)**	(11)
	(362)	(700)

7 TAXATION

	2019	2018
	HK$'000	*HK$'000*
Current income tax		
Hong Kong Profits Tax	**2,846**	2,781
PRC enterprise income tax	**2,602**	1,545
	5,448	4,326
Deferred income tax	**(7)**	48
Income tax expenses for the year	**5,441**	4,374

For each of the years ended 31 December 2019 and 2018, 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:

	2019	2018
	HK$'000	*HK$'000*
Profit before taxation	**18,060**	1,254
Calculated at a tax rate of 16.5% (2018: 16.5%)	**2,980**	207
Effect of different tax rates in other jurisdictions	**832**	225
Tax effect of expenses not deductible for tax purpose	**1,905**	3,969
Tax effect of income not taxable for tax purpose	**(276)**	(27)
Income tax expenses	**5,441**	4,374

8 EARNINGS PER SHARE

(a) Basic earnings/(loss) 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:

	2019	2018
Profit/(loss) attributable to owners of the Company (HK$'000)	**12,619**	(3,120)
Weighted average number of ordinary shares in issue (thousands)	**200,000**	179,167
Basic earnings/(loss) per share (Hong Kong cents)	**6.31**	(1.74)

(b) Diluted earnings/(loss) 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 2018 and 2019.

9 DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 December 2019 and 2018.

10 TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**33,907**	34,222
Loss allowance	**(731)**	(326)
	33,176	33,896
Other receivables	**646**	782
	33,822	34,678

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:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**19,516**	20,122
31–60 days	**5,574**	6,727
61–90 days	**2,619**	2,893
Over 90 days	**5,467**	4,154
	33,176	33,896

11 TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables		
— Third parties	**11,071**	16,644
— Related parties	**—**	577
	11,071	17,221
Accruals and other payables	**11,650**	10,868
Contract liabilities	**4,443**	5,461
	27,164	33,550

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

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**7,443**	8,509
31–60 days	**2,357**	6,935
61–90 days	**—**	127
Over 90 days	**1,271**	1,650
	11,071	17,221

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

12 SUBSEQUENT EVENT

The COVID-19 outbreak since early 2020 has led to substantial travel bans and lockdowns across PRC. It may have certain impacts on the Group's business operations, including the Group's OEM and own brand products business. The Group will keep continuous attention on the situation, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of this announcement, the assessment is still in progress and the related impact on the Group's consolidated results of operations, cash flows and financial position could not be reasonably estimated at this stage.

MANAGEMENT DISCUSSION AND ANALYSIS

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

(i) the "OEM Business" which primarily comprises the production and sales of plastic bottles and cups for infants and toddlers and plastic sports bottles on an original equipment manufacturer (OEM) basis predominately for the overseas markets; and

(ii) the "Yo Yo Monkey Business" which primarily comprises the production and sales of infant and toddler products, particularly plastic bottles and cups, under the brand developed by the Group and known as "Yo Yo Monkey (優優馬騮)".

The total revenue of the Group for the year ended 31 December 2019 achieved an annual growth in revenue of approximately 12.5%, primarily attributable to the annual increase in revenue from the OEM Business of the Group of approximately 25.7%, which was mainly attributable to sales orders received from the existing customers. The Group also turned around from recording a net loss attributable to shareholders of approximately HK$3.1 million for the year ended 31 December 2018 to achieving a net profit attributable to shareholders of approximately HK$12.6 million for the year ended 31 December 2019, mainly due to (i) the aforesaid improvement in revenue of the Group; and (ii) the Group not having incurred any listing expenses for the year ended 31 December 2019, whereas the Group incurred listing expenses of approximately HK$8.8 million for the year ended 31 December 2018.

The OEM Business continued to be the main revenue and profit contributor to the Group for the year ended 31 December 2019. The overall production output of the OEM Business increased in 2019 due to the increase in sales performance of the OEM Business, as compared to that of 2018. Such increase was mainly attributable to the increased sales orders received from the existing customers. Furthermore, along with the increase in sales orders, the profitability of the OEM Business was slightly enhanced by the economies of scale.

On the other hand, the Yo Yo Monkey Business faced challenges and recorded a decline in sales in 2019 as compared to that of 2018, mainly due to the worsening economic and industry environment in the People's Republic of China (the "PRC") market. As at 31 December 2019, the number of third party retail stores in the PRC which sold the products of the Group maintained at 397 (2018: 393). Apart from the flagship product logo "Yo Yo Monkey (優優馬騮)" which carries a monkey character cartoon, the Group had extended 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.

OUTLOOK AND STRATEGIC PLAN

Despite the annual increase in total revenue for the year ended 31 December 2019, both of the OEM Business and the Yo Yo Monkey Business are expected to continue to face challenges, including but not limited to (i) the outbreak of COVID-19 in the PRC since the beginning of 2020, which may have the risks of interfering the supply chain of the Group given the production base of the Group is situated in the PRC, possibly causing delays in delivery, and may also slow down general economic growth, leading to lower consumption, thereby resulting in a decline in the sales of the products of the Group; and (ii) the ongoing trade war between the PRC and the United States, which may also reduce the demand of the products of the Group, particularly for the customers of the OEM Business based in the United States.

In response to the ever changing industry environment, the management team of the Group has formulated strategic plans for the development of both the OEM Business and Yo Yo Monkey Business. For the OEM Business, on top of continuing to enhance the bonding with existing customers, the Group will be more active in identifying new customers to diverse its customer base on a worldwide basis. For the Yo Yo Monkey Business, on top of continuing to enhance product diversities, the Group will be more active in identifying possible opportunities for (i) third party licenses collaboration (such as crossover or adopting famous cartoon logos on the Yo Yo Monkey Business products) with a view to enrich product profile; and (ii) expanding the geographical markets of own-brand products to the overseas (through the "Yo Yo Monkey (優優馬騮)" brand or other own-brand to be developed to cope with the culture and trend of the local market) by leveraging on the networks established through the OEM Business.

In respect of the general operations of the Group, a key focus is to drive down costs and expenses, in order to achieve a higher profit margin. The Group has been making and will continue to make efforts in areas such as (i) automising and streamlining production cycles to minimise labour force and wasted resources; and (ii) closely monitoring selling and other expenses to minimise unnecessary expenditure.

FINANCIAL REVIEW

Revenue

Revenue of the Group amounted to approximately HK$262.3 million for the year ended 31 December 2019 (2018: approximately HK$233.2 million), representing an annual increase of approximately 12.5%. The increase was mainly attributable to the growth of the OEM Business.

- ***OEM Business***

  For the year ended 31 December 2019, revenue generated from the OEM Business amounted to approximately HK$214.0 million, representing an increase of approximately 25.7%, as compared to that of approximately HK$170.2 million for the preceding year. For the year ended 31 December 2019, 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$110.6 million (2018: approximately HK$83.2 million), representing an annual increase of approximately 32.9%; and (ii) the revenue generated from the second largest customer of the Group amounted to approximately HK$89.3 million (2018: approximately HK$61.9 million), representing an annual increase of approximately 44.3%. The trade war between the PRC and the United States was yet to have any material direct impact (such as tariffs) on the operations of the Group for the year ended 31 December 2019.

- *Yo Yo Monkey Business*

  For the year ended 31 December 2019, the Yo Yo Monkey Business recorded revenue of approximately HK$48.3 million, representing an annual decline of approximately 23.3% as compared to that of approximately HK$63.0 million for the preceding year. Such decline was mainly due to the worsening industry environment in the PRC market, where the annual growth of the gross domestic product of the PRC in 2019 slowed down to its weakest pace in nearly 30 years. Such slow down in economic growth might have weakened consumption and led to the decrease in overall demand of the products of the Yo Yo Monkey Business in the PRC.

Gross profit

The overall gross profit of the Group for the year ended 31 December 2019 was approximately HK$84.2 million, representing an overall gross profit margin of approximately 32.1%, as compared to that of approximately HK$74.5 million, representing a gross profit margin of approximately 31.9% for the year ended 31 December 2018. For the year ended 31 December 2019, the gross profit margin of the OEM Business was approximately 30.0% (2018: approximately 27.6%) and the gross profit margin of the Yo Yo Monkey Business was approximately 41.2% (2018: approximately 43.6%). The gross profit margins of the Group remained stable in general for the year ended 31 December 2019 as compared to that of the preceding year.

Selling expenses

The Group incurred selling expenses of approximately HK$26.4 million for the year ended 31 December 2019, representing a decrease of approximately 17.0% as compared to that of approximately HK$31.8 million for the year ended 31 December 2018. Such decrease was mainly attributable to the reduction of promotions related to the Yo Yo Monkey Business. The amount of spending of the Group on promotions depends on product cycles and opportunities in the market from time to time.

Administrative expenses

The administrative expenses of the Group amounted to approximately HK$40.7 million for the year ended 31 December 2019, representing an increase of approximately 24.8% as compared to that of approximately HK$32.6 million for the year ended 31 December 2018. Such annual increase was mainly attributable to (i) the increase in compensation related to the layoff of workers by approximately HK$2.6 million along with the streamlining of the production flow at the production plant of the Group situated in Wengyuan County Shaoguan City, Guangdong Province in the PRC (the "Production Base") for the long term benefit of the Group; (ii) the increase in professional fees after its listing of Shares on the Stock Exchange (the "Listing") by approximately HK$2.1 million for among other matters, the ongoing compliance and enhancement of management of the Group; and (iii) the increase in payroll expenses by approximately HK$2 million to retain and reward staff for the sustainment and the development of the businesses of the Group. Administrative expenses accounted for approximately 15.5% of the total revenue for the year ended 31 December 2019, representing a slight increase as compared to that of approximately 14.0% of total revenue for the year ended 31 December 2018.

Other income and gains

The Group recorded net other income and gains of approximately HK$1.6 million for the year ended 31 December 2019, as compared to that of approximately HK$158,000 for the year ended 31 December 2018. The net other income and gains were mainly derived from government grant and sundry income.

Listing expenses

No listing expense was incurred for the year ended 31 December 2019, as compared to that of approximately HK$8.8 million for the year ended 31 December 2018.

Finance expenses/income

The Group incurred net finance expenses of approximately HK$591,000 for the year ended 31 December 2019, as compared to that of approximately HK$190,000 net finance income for the year ended 31 December 2018. The finance expenses were mainly interest expenses for the utilisation of bill facilities, interests for shareholders' borrowings and interests for the lease liabilities pursuant to the adoption of HKFRS 16, while the finance income was mainly derived from bank depository interest.

Net profit/loss

The Group turned around from recording a net loss attributable to shareholders of approximately HK$3.1 million for the year ended 31 December 2018 to achieving a net profit attributable to shareholders of approximately HK$12.6 million for the year ended 31 December 2019, mainly due to (i) an annual increase in revenue from the OEM Business of the Group for the year ended 31 December 2019 of approximately 25.7%, which was mainly attributable to sales orders received from the existing customers; and (ii) the Group not having incurred any listing expenses for the year ended 31 December 2019, whereas the Group incurred listing expenses of approximately HK$8.8 million for the year ended 31 December 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2019, the cash and cash equivalents of the Group amounted to approximately HK$82.3 million (2018: approximately HK$83.3 million). The cash and cash equivalents of the Group as at 31 December 2019 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 generated from operating activities of approximately HK$27.5 million for the year ended 31 December 2019, as compared to that of the net cash used in operating activities of approximately HK$23.8 million for the year ended 31 December 2018, where such difference was mainly attributable to (i) the Group recorded profit before taxation of approximately HK$18.1 million for the year ended 31 December 2019 as compared to the profit before taxation of approximately HK$1.3 million for the year ended 31 December 2018; and (ii) the net settlement amount with related companies of HK$Nil for the year ended 31 December 2019 as compared to that of approximately HK$13.9 million for the year ended 31 December 2018.

As at 31 December 2019, the Group maintained banking facilities of approximately HK$30.0 million (2018: approximately HK$10.0 million), which will be partly utilised as bills facilities to settle payments to suppliers from time to time. As at 31 December 2019, such banking facilities were not utilised.

Pursuant to the loan agreements with Mr. Chau Ching and Mr. Chung Kwok Keung Peter (both are executive Directors and controlling shareholders of the Company) entered into in December 2018, the Group had amounts due to shareholders of approximately HK$24.0 million, which were unsecured fixed interest rate Hong Kong dollar borrowings repayable before 31 December 2019. The Group had fully repaid the said shareholders' borrowings in June 2019.

As at 31 December 2019, the gearing ratio of the Group (being total interest-bearing borrowings divided by total equity) was nil (2018: approximately 15.8%).

CAPITAL COMMITMENT AND CAPITAL EXPENDITURE

As at 31 December 2019, the Group had no capital commitment (2018: Nil).

For the year ended 31 December 2019, the capital expenditure of the Group (being gross addition of property, plant and equipment) was approximately HK$11.0 million (2018: approximately HK$10.0 million). Such capital expenditure was primarily for the acquisition of new machineries, tools and equipment.

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

TREASURY POLICY

The Group had sufficient level of cash and banking facilities for the conduct of its trade in the normal course of business during the year ended 31 December 2019. 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 2019, the Group recorded a HK$95,000 loss on foreign exchange (2018: loss on foreign exchange HK$689,000).

The Group had not used any derivatives to hedge its exposure to foreign exchange risk during the year ended 31 December 2019. 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 2019. As at 31 December 2018, a deposit of HK$10.0 million was pledged to secure certain banking facilities for the Group.

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 2019. The Group did not hold any significant investment as at 31 December 2019.

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 2019 and up to the date of this announcement.

CONTINGENT LIABILITIES

As at 31 December 2019, 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

Except for the subsequent event disclosed in this announcement, there was no other material change or major event occurred after 31 December 2019 which was required to be disclosed by the Company.

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.

During the period up to the year ended 31 December 2019, a portion of the net proceeds from the Listing had been utilised with reference to the "Future plans and use of proceeds" in the Prospectus as follows:

Use of net proceeds	**Net proceeds from the Listing**	**Actual utilisation up to 31 December 2019**	**Unutilised amounts as at 31 December 2019**
	HK$ million	*HK$ million*	*HK$ million*
Expansion of production capabilities	17.7	7.8	9.9
Development of the Yo Yo Monkey Business	13.0	10.0	3.0
Strengthening the client base of the OEM Business	5.3	0.9	4.4
Improve product development capabilities	8.8	0.8	8.0
Working capital and administrative expenses	3.8	2.9	0.9
Total	48.6	22.4	26.2

As shown in the above table, the total unutilised amount of the net proceeds was approximately HK$26.2 million as at 31 December 2019 and such unutilised amount was deposited in short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong. The unutilised amount of approximately HK$17.9 million was mainly related to the production capabilities and product development capabilities of the OEM Business. The principal reason for the slow down in the utilisation of the proceeds was the uncertainties brought forward by the outbreak of the trade war between the United States and the PRC, which had previously caused the under-performance of the OEM Business for the year ended 31 December 2018 and might continue to impact the OEM Business. The Group therefore remained conservative on its spending and investments, rather than hastily expanding at a rapid pace.

Despite the slow down in utilisation for the year ended 31 December 2019, the Group has been utilising the net proceeds and will continue to utilise the net proceeds in the manner consistent with that mentioned in the Prospectus. In view of the need to replace the existing aged machineries and the need to strengthen product development capabilities to enhance market competitiveness, the Group has been (i) liaising with machinery suppliers to shop for new machineries at favourable prices and, in particular, the Group is currently targeting to procure several brand new injection moulding machines and robotic automation equipment in the second half of 2020; and (ii) liaising with industrial designers about their engagement terms and scope of services to cope with the upcoming business development plan of the Group. The Directors currently expect the net proceeds to be fully utilised during the year ending 31 December 2020 in accordance with the following:

	Expected utilisation amount for the six months ending 30 June 2020	**Expected utilisation amount for the six months ending 31 December 2020**	**Expected total utilisation amount for the year ending 31 December 2020**
	HK$ million	*HK$ million*	*HK$ million*
Expansion of production capabilities	3.3	6.6	9.9
Development of the Yo Yo Monkey Business	1.5	1.5	3.0
Strengthening the client base of the OEM Business	2.0	2.4	4.4
Improve product development capabilities	3.0	5.0	8.0
Working capital and administrative expenses	0.9	—	0.9
Total	10.7	15.5	26.2

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 2019, the Group had 643 full-time employees (2018: 793). The reduction of employees as at 31 December 2019 as compared to that of 31 December 2018 was mainly due to the continued automation of the Production Base and the continued streamline of production processes of the Production Base to minimise labour demand and costs, for the enhancement of the profitability of the Group.

Employees were remunerated and granted bonus based on their performance, working experience and prevailing market conditions. In compliance with the statutory requirements in the PRC, the Group participated in a social insurance scheme and a housing provident fund. The social insurance scheme included pension insurance, medical insurance, maternity insurance, unemployment insurance and work injury insurance. For the Hong Kong employees, the Group contributed to the mandatory provident fund scheme as applicable. Employee benefit expenses of the Group for the year ended 31 December 2019 was approximately HK$73.7 million (2018: approximately HK$65.2 million).

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

The Company had adopted a share option scheme pursuant to a written resolution of the shareholders of the Company (the "Shareholder(s)") 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

While the Group achieved annual growth in both revenue and profit for the year ended 31 December 2019, mainly driven by the OEM Business, the performance of the overall business of the Group for the upcoming year is difficult to estimate, primarily due to the uncertainties brought by the recent outbreak of the COVID-19 and the ongoing trade war between the PRC and the United States.

The OEM Business is currently dependent on the United States market as a significant portion of revenue is derived from customers based in the United States. If relevant trade policies (such as tariffs) are further enacted between the PRC and the United States along with the ongoing trade war, the performance of the OEM Business might be adversely affected. Nevertheless, the Group will continue to enhance its product development and manufacturing capabilities and, at the same time, liaise with both existing and potential customers to secure more sales orders on a worldwide basis, with an aim to gradually diversify the present focus on the United States market.

In respect of the Yo Yo Monkey Business, the Group has been working on capturing opportunities through offering quality infant and toddler products in the market, especially since the relaxation of the one-child policy in the PRC in 2016. Given the "Yo Yo Monkey (優優馬騮)" brand of the Group is one of the few quality baby brand products originated from Hong Kong, it is well positioned to capture the growing potential in the infant and toddler products market. However, the Yo Yo Monkey Business is still under an uneasy environment to secure its market position in the PRC given the fierce competition and the slowing down of economic growth. The recent outbreak of the COVID-19 has worsened the business conditions in the PRC. If such outbreak continues and becomes more severe, apart from the overall economy and consumption being impaired, the operations of the Group may also be adversely affected, such as possible postponement of local delivery of raw materials and products. Nonetheless, the Group will continue to put efforts and devote resources to develop this business segment by way of enhancing product design and diversity and, in addition, the Group will preliminarily explore the expansion of the geographical markets of its own-brand products to the overseas by leveraging on its existing networks established through the OEM Business, with a view to broaden the Group's revenue stream.

The Group will continue to utilise its net proceeds from the Listing on areas including but not limited to upgrading existing production facilities and equipment and improving product development capabilities in the upcoming year. These are expected to uplift the overall business performance of the Group.

Apart from the ongoing efforts on organic growth, the Group has been preliminarily seeking and investigating opportunities, including horizontal acquisition and third party licenses collaboration with synergy effects to further drive the businesses of the Group.

Overall, the principal fundamental products of the Group, which include plastic bottles and infant and toddler products, are necessity goods which the Directors believe the market has a stable demand, despite the turbulences prevailing in the overall economic and business environment. The Directors are of the view that the core competitiveness of the Group lies in its long term strategic relationships established with business partners and its reputation and experience accumulated in the industry throughout the years. Therefore, looking ahead, even though a more prudent approach may be necessary in the near future to cautiously overcome the upcoming challenging times, the management team of the Group is confident to tackle obstacles, capture opportunities and bring value to the Shareholders in the long run.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2019.

DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Monday, 1 June 2020. The notice of the AGM will be published and distributed to the Shareholders in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in due course.

CLOSURES OF REGISTER OF MEMBERS

The Company will hold the AGM on Monday, 1 June 2020. The register of members of the Company will be closed from Wednesday, 27 May 2020 to Monday, 1 June 2020 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attendance and voting at the forthcoming 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 26 May 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 to the Listing Rules. The Company had made specific enquiries to all Directors and they had confirmed in writing their compliance with the required standard set out in the Model Code throughout the year ended 31 December 2019.

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**") under Appendix 14 to the Listing Rules. During the year ended 31 December 2019, the Company had complied with all 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 2019 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, 20 March 2020

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.