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MS GROUP HOLDINGS LIMITED

萬成集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1451)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

KEY FINANCIAL INFORMATION AND RATIOS (UNAUDITED)

		Six months ended 30 June	
		2021	2020
Revenue	HK\$'000	124,723	94,084
Gross profit	HK\$'000	37,324	31,114
Gross profit margin	%	29.9%	33.1%
Operating profit	HK\$'000	11,589	7,730
Profit attributable to equity holders	HK\$'000	6,572	5,329
Basic earnings per Share	HK cents	3.29	2.66
Interim dividend per Share	HK cents	Nil	Nil

The board (the “**Board**”) of directors (“**Directors**”) of MS Group Holdings Limited (the “**Company**”) is pleased to present the unaudited interim results of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2021, together with the comparative figures for the corresponding period of 2020, as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Unaudited	
		Six months ended 30 June	
		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	6	124,723	94,084
Cost of sales		<u>(87,399)</u>	<u>(62,970)</u>
Gross profit		37,324	31,114
Selling expenses		(8,482)	(8,030)
Administrative expenses		(16,722)	(16,222)
Other income		124	1,173
Other losses, net		<u>(655)</u>	<u>(305)</u>
Operating profit		<u>11,589</u>	<u>7,730</u>
Finance income		220	329
Finance expenses		<u>(284)</u>	<u>(269)</u>
Finance (expenses)/income, net	7	(64)	60
Share of result of associates	18	<u>(2,085)</u>	<u>—</u>
Profit before taxation	8	9,440	7,790
Taxation	9	<u>(2,868)</u>	<u>(2,461)</u>
Profit for the period		<u>6,572</u>	<u>5,329</u>
Attributable to:			
— Equity holders of the Company		<u>6,572</u>	<u>5,329</u>
		<i>HK Cents</i>	<i>HK Cents</i>
Profit per share attributable to equity holders of the Company during the period			
Basic and diluted	11	<u>3.29</u>	<u>2.66</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	6,572	5,329
Item that may be subsequently reclassified to income statement:		
Exchange translation differences	<u>1,408</u>	<u>(1,761)</u>
Other comprehensive income/(loss) for the period, net of tax	<u>1,408</u>	<u>(1,761)</u>
Total comprehensive income for the period	<u>7,980</u>	<u>3,568</u>
Total comprehensive income for the period attributable to:		
— Equity holders of the Company	<u>7,980</u>	<u>3,568</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

		Unaudited	Audited
		30 June	31 December
		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	12	33,168	36,780
Investments in associates	18	21,165	—
Right-of-use assets		<u>3,692</u>	<u>5,645</u>
		<u>58,025</u>	<u>42,425</u>
Current assets			
Inventories		42,891	33,293
Trade and other receivables	13	29,154	34,085
Deposits and prepayments		5,259	7,150
Cash and cash equivalents		<u>121,222</u>	<u>121,903</u>
		<u>198,526</u>	<u>196,431</u>
Total assets		<u>256,551</u>	<u>238,856</u>
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	15	20,000	20,000
Share premium		36,614	36,614
Other reserves		6,027	4,492
Retained earnings		<u>128,546</u>	<u>121,974</u>
Total equity		<u>191,187</u>	<u>183,080</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		—	1,811
Deferred income tax liabilities		<u>1,799</u>	<u>2,015</u>
		<u>1,799</u>	<u>3,826</u>

		Unaudited	Audited
		30 June	31 December
		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Trade and other payables	14	40,821	43,988
Bills payable		14,825	—
Lease liabilities		3,980	4,204
Tax payable		<u>3,939</u>	<u>3,758</u>
		<u>63,565</u>	<u>51,950</u>
Total liabilities		<u>65,364</u>	<u>55,776</u>
Total equity and liabilities		<u>256,551</u>	<u>238,856</u>
Net current assets		<u>134,961</u>	<u>144,481</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Unaudited						
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Share based payment reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
Balance at 1 January 2020	20,000	36,614	131	(1,627)	—	107,973	163,091
Comprehensive income:							
Profit for the period	—	—	—	—	—	5,329	5,329
Other comprehensive loss:							
Exchange translation differences	—	—	—	(1,761)	—	—	(1,761)
Total comprehensive income for the period ended 30 June 2020	—	—	—	(1,761)	—	5,329	3,568
Balance at 30 June 2020	20,000	36,614	131	(3,388)	—	113,302	166,659
Balance at 1 January 2021	20,000	36,614	131	4,361	—	121,974	183,080
Comprehensive income:							
Profit for the period	—	—	—	—	—	6,572	6,572
Other comprehensive income:							
Exchange translation differences	—	—	—	1,408	—	—	1,408
Total comprehensive income for the period ended 30 June 2021	—	—	—	1,408	—	6,572	7,980
Transactions with equity holders:							
Share-based payments	—	—	—	—	127	—	127
Total transactions with equity holders	—	—	—	—	127	—	127
Balance at 30 June 2021	20,000	36,614	131	5,769	127	128,546	191,187

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Cash generated from operations	26,236	24,397
Tax paid	<u>(2,880)</u>	<u>(1,720)</u>
Net cash generated from operating activities	<u>23,356</u>	<u>22,677</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(567)	(178)
Payment for acquisition of associates	(21,312)	—
Interest received	<u>220</u>	<u>329</u>
Net cash (used in)/generated from investing activities	<u>(21,659)</u>	<u>151</u>
Cash flows from financing activities		
Interest paid	(284)	(269)
Payment of principal element of lease liabilities	<u>(2,094)</u>	<u>(1,629)</u>
Net cash used in financing activities	<u>(2,378)</u>	<u>(1,898)</u>
Net (decrease)/increase in cash and cash equivalents	(681)	20,930
Cash and cash equivalents at 1 January	<u>121,903</u>	<u>82,269</u>
Cash and cash equivalents at 30 June	<u>121,222</u>	<u>103,199</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 CORPORATE INFORMATION AND BASIS OF PRESENTATION

General information

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

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

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

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

2 BASIS OF PREPARATION AND PRESENTATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and applicable disclosure requirements of the Listing Rules.

The condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA dated 19 March 2021.

3 ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of this unaudited condensed consolidated interim financial information are consistent with those used in the Group’s consolidated financial statements for the year ended 31 December 2020 except for taxes on income in the interim periods that are accrued using the tax rate that would be applicable to expected total annual earnings. Accounting policies on associates and share options could be referred in note 18 and note 19 respectively. A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

5 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2020.

There have been no changes in the risk management policies since the year ended 31 December 2020.

(b) Fair value estimation

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

6 SEGMENT INFORMATION

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Revenue		
OEM Business customer products	110,014	79,646
Own brand products	<u>14,709</u>	<u>14,438</u>
	<u>124,723</u>	<u>94,084</u>

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used for making strategic decisions. The chief operating decision-maker is an executive director of the Company. The chief operating decision-maker considers the business from a product perspective and assesses the performance of the operating segments based on a measure of gross profit for the purpose of allocating resources. No analysis of segment assets or segment liabilities is regularly provided to the chief operating decision-maker.

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

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

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

The segment information provided to the chief operating decision-maker for the six months ended 30 June 2020 (unaudited) is as follows:

	OEM Business customer products <i>HK\$'000</i>	Own brand products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue from external customers			
Timing of revenue recognition — at a point in time	79,646	14,438	94,084
Cost of sales	<u>(55,125)</u>	<u>(7,845)</u>	<u>(62,970)</u>
Gross profit	24,521	6,593	31,114
Selling expenses			(8,030)
Administrative expenses			(16,222)
Other income			1,173
Other losses, net			(305)
Finance income, net			<u>60</u>
Profit before taxation			7,790
Taxation			<u>(2,461)</u>
Profit for the period			<u><u>5,329</u></u>

7 FINANCE (EXPENSES)/INCOME, NET

	Unaudited	
	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bills payables	(160)	(112)
Interest expenses on lease liabilities	(124)	(157)
Bank interest income	<u>220</u>	<u>329</u>
	<u>(64)</u>	<u>60</u>

8 PROFIT BEFORE TAXATION

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Cost of inventory	49,278	34,288
Provision for the impairment loss on inventory	—	1,222
Employee benefit expenses	35,515	26,691
Management fee expenses	1,241	1,196
Depreciation of property, plant and equipment (Note 12)	4,359	4,228
Depreciation of right-of-use assets	2,009	1,592
Change in expected credit losses for trade receivables	(32)	675
Loss on disposal/write-off of property, plant and equipment	139	—
Government grants	—	(1,159)

9 TAXATION

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

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current — Hong Kong		
Provision for the period	1,702	122
Current — PRC		
Provision for the period	1,382	2,293
Under-provision in respect of prior years	—	51
Deferred		
Provision for the period	(216)	(5)
Taxation charge	2,868	2,461

10 DIVIDENDS

No dividends had been paid or declared by the Company for the six months ended 30 June 2021 (2020: Nil).

11 EARNINGS PER SHARE — BASIC AND DILUTED

(a) Basic earnings per share

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
Profit attributable to owners of the Company (HK\$'000)	6,572	5,329
Weighted average number of ordinary shares in issue (thousands)	<u>200,000</u>	<u>200,000</u>
Basic earnings per share (Hong Kong cents)	<u>3.29</u>	<u>2.66</u>

(b) Diluted earnings per share

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potentially dilutive ordinary shares outstanding as at 30 June 2020.

Diluted earnings per share for the period ended 30 June 2021 is equal to the basic earnings per share as the potential dilutive ordinary shares arising from exercise of the outstanding share options would be anti-dilutive.

12 PROPERTY, PLANT AND EQUIPMENT

	Decoration <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Plants and machinery <i>HK\$'000</i>	Tools and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2020 (audited)							
Cost	15,034	1,432	5,170	62,545	16,569	4,365	105,115
Accumulated depreciation	<u>(5,202)</u>	<u>(1,408)</u>	<u>(3,125)</u>	<u>(42,205)</u>	<u>(13,021)</u>	<u>(3,374)</u>	<u>(68,335)</u>
Net book amount	<u>9,832</u>	<u>24</u>	<u>2,045</u>	<u>20,340</u>	<u>3,548</u>	<u>991</u>	<u>36,780</u>
Period ended 30 June 2021 (unaudited)							
Opening net book amount	9,832	24	2,045	20,340	3,548	991	36,780
Exchange differences	68	—	23	216	—	12	319
Additions	—	3	54	499	11	—	567
Disposals/write-off	—	—	(5)	(134)	—	—	(139)
Depreciation charge	<u>(328)</u>	<u>(4)</u>	<u>(434)</u>	<u>(1,918)</u>	<u>(1,457)</u>	<u>(218)</u>	<u>(4,359)</u>
Closing net book amount	<u>9,572</u>	<u>23</u>	<u>1,683</u>	<u>19,003</u>	<u>2,102</u>	<u>785</u>	<u>33,168</u>
At 30 June 2021 (unaudited)							
Cost	15,120	1,434	5,285	62,312	16,580	4,386	105,117
Accumulated depreciation	<u>(5,548)</u>	<u>(1,411)</u>	<u>(3,602)</u>	<u>(43,309)</u>	<u>(14,478)</u>	<u>(3,601)</u>	<u>(71,949)</u>
Net book amount	<u>9,572</u>	<u>23</u>	<u>1,683</u>	<u>19,003</u>	<u>2,102</u>	<u>785</u>	<u>33,168</u>

13 TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Trade receivables	30,398	36,236
Loss allowance	<u>(2,689)</u>	<u>(2,721)</u>
	27,709	33,515
Other receivables	<u>1,445</u>	<u>570</u>
	<u><u>29,154</u></u>	<u><u>34,085</u></u>

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

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

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
0 – 30 days	21,335	22,722
31 – 60 days	996	3,517
61 – 90 days	353	1,948
Over 90 days	<u>5,025</u>	<u>5,328</u>
	<u><u>27,709</u></u>	<u><u>33,515</u></u>

14 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Trade payables	16,085	17,786
Accruals and other payables	20,033	21,939
Contract liabilities (<i>Note</i>)	<u>4,703</u>	<u>4,263</u>
	<u><u>40,821</u></u>	<u><u>43,988</u></u>

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

Note: Contract liabilities of HK\$4,263,000 included in the balance as at 1 January 2021 were recognised as revenue during the period ended 30 June 2021.

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

	Unaudited 30 June 2021 <i>HK\$'000</i>	Audited 31 December 2020 <i>HK\$'000</i>
0 – 30 days	10,763	12,117
31 – 60 days	3,640	3,859
61 – 90 days	45	50
Over 90 days	1,637	1,760
	<u>16,085</u>	<u>17,786</u>

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

15 SHARE CAPITAL

	No. of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.1 each, authorised:		
At 30 June 2020 (unaudited), 31 December 2020 and 30 June 2021 (unaudited)	<u>3,800,000,000</u>	<u>380,000</u>
Ordinary shares of HK\$0.1 each, issued and fully paid:		
At 30 June 2020 (unaudited), 31 December 2020 and 30 June 2021 (unaudited)	<u>200,000,000</u>	<u>20,000</u>

16 CONTINGENT LIABILITIES

As at 30 June 2021 and 31 December 2020, the Group had no significant contingent liabilities.

17 RELATED PARTY TRANSACTIONS

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

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

(a) Continuing transactions

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Kwong Fai		
— Depreciation of right-of-use assets	330	269
— Interest expenses on lease liabilities	24	41
Penghui		
— Management fee expenses	1,154	1,126
— Depreciation of right-of-use assets	1,679	1,098
— Interest expenses on lease liabilities	<u>100</u>	<u>112</u>

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

The Group leased certain premises with the aggregate carrying amount of right-of-use assets of HK\$3,692,000 and lease liabilities of HK\$3,980,000 as at 30 June 2021 from Kwong Fai and Penghui. During the period ended 30 June 2021, the lease payments paid to Kwong Fai and Penghui were HK\$378,000 (2020: HK\$313,000) and HK\$1,840,000 (2020: HK\$1,225,000), respectively.

(b) Key management compensation

During the period ended 30 June 2021, no transactions have been entered into with the directors of the Company (being the key management personnel) other than the emoluments paid to them (being key management personnel compensation) (2020: Nil).

18 INVESTMENTS IN ASSOCIATES

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

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

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associate is eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Summary of acquisition

On 20 January 2021, the Group entered into an agreement to acquire 40% interest in BRH2 Plastics, LLC at an aggregate consideration of HK\$23,250,000 (US\$3,000,000). BRH2 Plastics, LLC, together with its subsidiaries, has established production lines and business networks in North America and is principally engaged in the manufacturing and sale of custom-designed plastic products using injection molding machines for consumer goods, automotive and healthcare industries.

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

	Unaudited 30 June 2021 HK\$'000
Associates	<u>21,165</u>

The share of net losses recognised in the condensed consolidated interim income statement for the six months ended 30 June 2021 included share of operating losses amounted HK\$470,000 before amortisation of intangible assets identified during the acquisition amounted HK\$1,615,000.

19 SHARE-BASED PAYMENTS

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

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

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

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

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

20 APPROVAL OF INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 was approved by the Board on 18 August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2021, the Group continued to engage in (i) the OEM Business, being the production and sales of plastic bottles and cups for infants and toddlers and plastic sports bottles on an OEM basis, predominately targeting the overseas markets; and (ii) the Yo Yo Monkey Business, being the production and sales of infant and toddler products under the “Yo Yo Monkey (優優馬騮)” brand primarily in the PRC market. The Group operates its production plant situated in Wengyuan County, Shauguan City, Guangdong Province, the PRC (the “**Production Base**”).

In 2020, the COVID-19 crisis caused severe adverse impacts to economies on a worldwide scale, including the United States and the PRC. In 2021, along with the roll-out of vaccines and public health measures, the global economy is currently, in general, on the path of recovery. Overall, the pandemic did not cause material impact on the overall operations of the Group (such as procurement, production and delivery) for the six months ended 30 June 2021. For the six months ended 30 June 2021, the Group recorded a year-on-year increase in total revenue, mainly driven by the increase in sales orders received from the major OEM Business customers of the Group in light of the recovery of the global economy. For the six months ended 30 June 2021, the revenue from the OEM Business recovered and successfully surpassed that for the six months ended 30 June 2019 (i.e. before the COVID-19 crisis), however, the revenue from the Yo Yo Monkey Business had not yet recovered satisfactorily from the COVID-19 crisis. The overall cost of sales of the Group also recorded a year-on-year increase for the six months ended 30 June 2021 mainly due to (i) the lower payment of social insurance in the PRC attributable to certain exemptions by the local government as part of the COVID-19 relief measures in the first half of 2020, which did not recur in the first half of 2021; (ii) the increase in total wages at the Production Base in conjunction with the rise in number of production staff to cope with the heightened manufacturing needs; and (iii) the appreciation of Renminbi. Overall, the Group successfully achieved organic business growth during the first half of 2021.

As disclosed in the announcements of the Company dated 19 January 2021 and 28 January 2021, the Group had entered into a membership interest purchase agreement to obtain 40% interest in BRH2 Plastics, LLC., a company incorporated in Arizona, the United States with limited liability on 25 June 2014 and converted to a Delaware limited liability company on 14 January 2021 (“**BRH2 Plastics, LLC**”) BRH2 Plastics, LLC, together with its subsidiaries, has established production lines and business networks in North America and is principally engaged in the manufacturing and sale of custom-designed plastic products using injection molding machines for consumer goods, automotive and healthcare industries. The transaction was completed on 20 January 2021 and is expected to generate synergies to the Group in areas including production techniques and business connections.

Financial Review

The following table sets out the key financial figures of the Group for the six months ended 30 June 2021, with comparative figures for the six months ended 30 June 2020.

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Revenue	124,723	94,084
Gross profit	37,324	31,114
Profit before income tax	9,440	7,790
Net profit attributable to equity holders	<u>6,572</u>	<u>5,329</u>

Revenue

OEM Business

The principal products of the OEM Business are plastic bottles, the demand of which was not materially affected by the pandemic as compared with many other industries. For the six months ended 30 June 2021, revenue generated from the OEM Business amounted to approximately HK\$110.0 million, which (i) represented a year-on-year increase of approximately 38.1%, as compared to approximately HK\$79.6 million for the corresponding period in 2020; and (ii) was approximately 14.0% higher than that of HK\$96.5 million for the corresponding period in 2019 (i.e. before the COVID-19 crisis). Such increase was primarily driven by the increase in sales orders from the major OEM Business customers of the Group in light of the recovery of the global economy from the COVID-19 crisis. For the first half of 2021, the two largest customers continued to be the major contributors of revenue for the OEM Business, where they respectively produced revenue of approximately HK\$64.6 million (first half of 2020: approximately HK\$44.2 million) and HK\$38.1 million (first half of 2020: approximately HK\$28.3 million). For the first half of 2021, the revenue of the OEM Business generated from the PRC market amounted to approximately HK\$1.9 million (first half of 2020: approximately HK\$4.1 million).

Yo Yo Monkey Business

For the six months ended 30 June 2021, the Yo Yo Monkey Business recorded revenue of approximately HK\$14.7 million, which (i) represented a year-on-year increase of approximately 1.9% as compared to approximately HK\$14.4 million for the corresponding period in 2020; and (ii) was approximately 38.7% lower than that of approximately HK\$24.0 million for the corresponding period in 2019 (i.e. before the COVID-19 crisis). The Yo Yo Monkey Business was impacted by the pandemic and struggled to recover in view of, among other things, (i) the fierce price wars in the local market

and the weakened economy together affected the sales of the products of the Group which target the mid-to-high-end market; and (ii) the shift in market trend to shop online rather than at retail shops which the Group had focused on.

Gross profit

The gross profit of the Group was approximately HK\$37.3 million, representing a gross profit margin of approximately 29.9%, for the six months ended 30 June 2021, as compared to the gross profit of approximately HK\$31.1 million, representing a gross profit margin of approximately 33.1%, for the six months ended 30 June 2020. For the six months ended 30 June 2021, the gross profit margin of the OEM Business was approximately 28.6% (first half of 2020: approximately 30.8%) and the gross profit margin of the Yo Yo Monkey Business was approximately 39.7% (first half of 2020: approximately 45.7%). The decline in the gross profit margin of both of the OEM Business and the Yo Yo Monkey Business was mainly attributable to (i) the lower payment of social insurance in the PRC attributable to certain exemptions by the local government as part of the COVID-19 relief measures in the first half of 2020, which did not recur in the first half of 2021; (ii) the increase in total wages at the Production Base in conjunction with the rise in number of production staff to cope with the heightened manufacturing needs; and (iii) the appreciation of Renminbi.

Selling expenses

The selling expenses of the Group was approximately HK\$8.5 million for the six months ended 30 June 2021, representing an increase of approximately HK\$0.5 million or 5.6% as compared to approximately HK\$8.0 million for the six months ended 30 June 2020. Such increase was mainly due to the rise in transportation expenses to cope with the increase in sales orders.

Administrative expenses

The administrative expenses of the Group amounted to approximately HK\$16.7 million for the six months ended 30 June 2021, representing a year-on-year increase of approximately 3.1%, which was mainly due to the incurrence of share-based payment arising from the grant of share options in the first half of 2021 pursuant to the share option scheme of the Company. The administrative expenses of the Group accounted for approximately 13.4% of total revenue for the six months ended 30 June 2021, representing a decrease as compared to approximately 17.2% of total revenue for the six months ended 30 June 2020 given the administrative expenses did not increase proportionately to revenue.

Other expenses/income and losses/gains

The Group recorded other net expenses and losses of approximately HK\$531,000 for the six months ended 30 June 2021, as compared to the other net income and gains of approximately HK\$868,000 for the six months ended 30 June 2020. The other net expenses and losses were mainly sundry expenses, which primarily included exchange loss of approximately HK\$245,000 and loss on disposal of fixed assets of approximately HK\$139,000.

Finance expenses/income

The Group incurred net finance expenses of approximately HK\$64,000 for the six months ended 30 June 2021, as compared to the net finance income of approximately HK\$60,000 for the six months ended 30 June 2020. The finance expenses were mainly interest expenses for the utilisation of bill facilities, lease liabilities, whilst the finance income was mainly bank depository interest.

Share of result of associates

The Group recorded a share of losses of associates of approximately HK\$2.1 million for the six months ended 30 June 2021, which was nil for the six months ended 30 June 2020. It was primarily attributable to the amortisation of intangible assets identified during the acquisition which amounted to approximately HK\$1.6 million after the Group obtained 40% interest in BRH2 Plastics, LLC in January 2021.

Net profit

The Group recorded a net profit of approximately HK\$6.6 million for the six months ended 30 June 2021, as compared to a net profit of approximately HK\$5.3 million for the six months ended 30 June 2020. The improvement in net profit was mainly attributable to the improvement in revenue, which was primarily driven by the increase in sales orders from the major OEM Business customers, along with the recovery from the crisis of COVID-19.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2021, the cash and cash equivalents of the Group amounted to approximately HK\$121.2 million (31 December 2020: approximately HK\$121.9 million). The cash and cash equivalents of the Group as at 30 June 2021 were primarily denominated in Hong Kong dollars, Renminbi and US dollars and were mainly contributed by the cash generated from operating activities of the Group. The Group had net cash generated from operating activities of approximately HK\$23.4 million for the six months ended 30 June 2021, as compared to that of approximately HK\$22.7 million for the six months ended 30 June 2020, where such increase was driven by the increase in operating cash inflow before changes in working capital by approximately HK\$2.8 million, which was primarily attributable to the increase in profit before income tax. As at 30 June 2021, the Group maintained banking facilities of HK\$30.0 million (31 December 2020: HK\$30.0 million), which were partly utilised as bills facilities to settle payments to suppliers. As at 30 June 2021, the gearing ratio of the Group (being total interest-bearing borrowings divided by total equity) was nil (31 December 2020: Nil).

CAPITAL COMMITMENT AND CAPITAL EXPENDITURE

As at 30 June 2021, the Group had no capital commitment (31 December 2020: Nil).

For the first half of 2021, the capital expenditure of the Group (being gross addition of property, plant and equipment) was approximately HK\$567,000 (first half of 2020: approximately HK\$178,000). This capital expenditure was primarily for the acquisition of new machineries, tools and equipment.

TREASURY POLICY

The Group had a sufficient level of cash and banking facilities for the conduct of its trade in the normal course of business during the six months ended 30 June 2021. The management will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of any future growth opportunities.

EXCHANGE RATE RISK

The transactions of the Group are primarily denominated in US dollars, Renminbi and Hong Kong dollars. In particular, sales are primarily made in US dollars whereas payments of staff wages and salaries are in Renminbi and Hong Kong dollars. The Group is exposed to exchange rate risk, especially from the fluctuation of the value of Renminbi.

For the six months ended 30 June 2021, the appreciation of Renminbi against Hong Kong dollars increased the operating costs of the Group in the PRC, which in turn had an unfavourable impact on the profitability of the Group, as compared to that of the six months ended 30 June 2020.

The Group had not used any derivatives to hedge its exposure to foreign exchange risk during the six months ended 30 June 2021. The management of the Company will continue to monitor the Group's foreign currency risk exposure and to ensure that it is kept at an acceptable level.

CHARGE ON ASSETS

None of the assets of the Group were pledged as at 30 June 2021 (31 December 2020: Nil).

MATERIAL ACQUISITION, DISPOSAL AND INVESTMENT

As disclosed in the announcements of the Company dated 19 January 2021 and 28 January 2021, the Group had entered into a membership interest purchase agreement to obtain 40% interest in BRH2 Plastics, LLC at an aggregate consideration of US\$3,000,000. BRH2 Plastics, LLC, together with its subsidiaries, has established production lines and business networks in North America and is principally engaged in the manufacturing and sale of custom-designed plastic products using injection molding machines for consumer goods, automotive and healthcare industries. The aforesaid transaction was completed on 20 January 2021. For further details of the transaction, please refer to the aforementioned announcements and note 18 to the condensed consolidated interim financial information of the Company in this interim results announcement.

Save for the aforesaid, the Group (i) did not perform any material acquisition or disposal of subsidiaries, associates or joint ventures or investments during the six months ended 30 June 2021; and (ii) did not hold any significant investment as at 30 June 2021.

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 six months ended 30 June 2021 and up to the date of this announcement.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no material contingent liabilities, nor was aware of any pending or potential material legal proceedings involving the Group.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, there is no other material change or major event required to be disclosed by the Company after 30 June 2021.

USE OF PROCEEDS FROM THE LISTING

The aggregate net proceeds to the Company from the listing of the shares of the Company (the “Shares”) on the Main Board of the Stock Exchange (the “Listing”) (involving the issue of a total of 50,000,000 Shares at the offer price of HK\$1.34 per Share), after deducting related underwriting fees and other expenses in connection with the Listing, was approximately HK\$48.6 million.

As at 30 June 2021, the majority of the net proceeds from the Listing had been utilised with reference to the “Future plans and use of proceeds” in the prospectus of the Company dated 21 May 2018 (the “Prospectus”) as illustrated below:

	Actual utilisation up to 31 December 2020 HK\$ million	Actual utilisation up to 30 June 2021 HK\$ million	Unutilised amounts as at 30 June 2021 HK\$ million
Expansion of production capabilities	17.7	17.7	—
Development of the Yo Yo Monkey Business	13.0	13.0	—
Strengthening the client base of the OEM Business	5.3	1.6	3.6
Improve product development capabilities	8.8	1.2	7.3
Working capital and administrative expenses	<u>3.8</u>	<u>3.8</u>	<u>—</u>
Total	<u><u>48.6</u></u>	<u><u>37.3</u></u>	<u><u>10.9</u></u>

As shown in the above table, as at 30 June 2021, the total utilised amount was approximately HK\$37.7 million and the total unutilised amount was approximately HK\$10.9 million. The unutilised amount was deposited in short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong. Such unutilised amount was related to the strengthening of client base (such as

participating in tradeshows) and product development capabilities (such as engaging industrial engineers) of the OEM Business. The principal reason for the slow down in the utilisation of the proceeds was the uncertainties brought forward by (i) the outbreak of the trade war between the United States and the PRC; and (ii) the adverse impact of COVID-19 on a worldwide scale. The Group therefore remained conservative on its marketing expenses and product development spending, rather than hastily expanding at a rapid pace.

Despite the slow down in the utilisation of the net proceeds, 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 enhance market competitiveness, the Group has been (i) formulating marketing plans to showcase its manufacturing capabilities and strengthen communication with existing and potential customers; 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 by 30 June 2022 in accordance with the following:

	Unutilised amounts as at 30 June 2021	Expected total utilisation amount for the 12 months ending 30 June 2022
	<i>HK\$ million</i>	<i>HK\$ million</i>
Strengthening the client base of the OEM Business	3.6	3.6
Improve product development capabilities	7.3	7.3
Total	10.9	10.9

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had 758 full-time employees (30 June 2020: 676). The increase of employees as at 30 June 2021 as compared to that of 30 June 2020 was mainly due to the recruitment of more direct labour to cope with the increased demand for the OEM Business during the period.

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

Employees are remunerated and granted bonus based on their performance, work experience and prevailing market conditions. In compliance with the statutory requirements in the PRC, the Group participates in a social insurance scheme and a housing provident fund. The social insurance scheme includes pension insurance, medical insurance, maternity insurance, unemployment insurance and injury insurance. For the Hong Kong employees, the Group contributes to the Mandatory Provident Fund scheme as applicable. Employee benefit expenses of the Group for the first half of 2021 was approximately HK\$35.5 million (first half of 2020: approximately HK\$26.7 million).

The Group has adopted a share option scheme under which employees of the Group may be granted an opportunity to acquire equity interests in the Company in recognition of their contributions to the Group. On 7 June 2021, the Company granted 6,000,000 share options to the Directors, senior management and certain employees of the Group to subscribe for an aggregate of 6,000,000 Shares. For further details, please refer to the announcement of the Company dated 7 June 2021 and note 19 to the condensed consolidated interim financial information of the Company in this interim results announcement.

PROSPECTS

Along with the roll out of vaccines and public health measures, together with the adaptation to the pandemic environment by the general public, economic activities have gradually resumed and the global economy is recovering. The Group achieved a year-on-year growth in profit for the six months ended 30 June 2021 primarily due to the increase in revenue, driven by the increase in sales order from the major OEM Business customers of the Group. Nonetheless, the global economy is still clouded by the impacts of COVID-19 after a year from the beginning of the pandemic. For instance, a new mutation of the virus may cause new infection waves and bring another hit to the global economy. Therefore, the outlook of the macro-environment and the businesses of the Group are still facing uncertainties that are beyond the control of the Group.

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. The OEM Business is expected to continue to face challenges and may be materially and adversely impacted in the United States market in the near term due to the aforementioned impacts of COVID-19 and the ongoing trade-war between the United States and the PRC. Nevertheless, the Group will continue to proactively develop this business segment, including (i) liaising with existing customers to obtain sales orders for both existing and new product lines; (ii) liaising with potential customers on a worldwide basis to expand revenue stream, with an aim to gradually diversify the present focus on the United States market; (iii) enhancing production capabilities to better fulfill the diverse needs of customers; and (iv) further exploring the PRC market by leveraging the experiences accumulated with overseas customers and the connections obtained through the Yo Yo Monkey Business.

The Yo Yo Monkey Business focuses on the PRC market and the performance of the business has been and is expected to continue to be challenged by, among other factors, the aforementioned outbreak of COVID-19 and fierce local competition. However, as “Yo Yo Monkey (優優馬騮)” is one of the few quality baby brand products originated from Hong Kong, the Group believes that the Yo Yo Monkey

Business is well positioned to capture the growing potential in the PRC market in light of, among other things, the recent announcement of the three-child policy in the PRC. In view of the current shift in market landscape brought by the industry trend and COVID-19, the Group has continuously placed efforts on developing its online sales, where the products of the Yo Yo Monkey Business are now available for sale on several online sales platforms.

The Group will continue to utilise its net proceeds from the Listing to strengthen the client base of the OEM Business and improve the product development capabilities of the Group in year 2021. These are expected to broaden the income source and enhance the competitive strengths of the Group.

In addition, the Group has been proactively identifying acquisition targets on a global basis that are able to bring business synergies to the Group. As disclosed in the announcements of the Company dated 19 January 2021 and 28 January 2021, the Group had entered into a membership interest purchase agreement with independent third parties to obtain 40% interest in BRH2 Plastics, LLC. BRH2 Plastics, LLC, together with its subsidiaries, has established production lines and business networks in North America and is principally engaged in the manufacturing and sale of custom-designed plastic products using injection molding machines for consumer goods, automotive and healthcare industries. The transaction was completed on 20 January 2021 and is mutually beneficial to the Group and BRH2 Plastics, LLC through the sharing of production techniques in the plastic products manufacturing industry, such as the injection molding for certain plastic products. Furthermore, the transaction is expected to bring commercial synergies to the existing principal businesses of the Group in terms of, among other things, client base because BRH2 Plastics, LLC has already established business connections with certain plastic product customers in the United States, which the Group may leverage on and expand its existing client base.

The world is clouded by uncertainties, but this does not stop the Group to evolve and overcome challenges. Looking forward, the business environment may be unavoidably volatile, but the Group will continue to cautiously review its existing businesses and stay alert on available chances that the Group can capture and deliver performance. At the same time, by striking an appropriate balance between risk and return, the Directors will keep on to use their best efforts to ensure the businesses of the Group continue to develop at a healthy pace. The long term strategic relationships established with business partners (including customers and suppliers) and the accumulated industry reputation and experience are part of the core competitiveness of the Group. The Group endeavours to continue to work very closely together with its business partners and employees and march, safely through the obstacles, towards the bright future in the long run.

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 as set out in Appendix 10 of the Listing Rules (the "**Model Code**"). Having made specific enquiry to all the Directors, they have all confirmed that they have complied with the required standard as set out in the Model Code for the six months ended 30 June 2021.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company for the six months ended 30 June 2021.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining high standards of corporate governance. For the six months ended 30 June 2021, the Company had adopted and complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company has discussed with the management of the Company the internal control and financial reporting matters relating to the preparation of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2021. It has also reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 with the management and the auditor of the Company and recommended them to the Board for approval.

The Company’s independent auditor, PricewaterhouseCoopers, has also reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 in accordance with the Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.mainsuccess.cn). The interim report for the six months ended 30 June 2021 of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 18 August 2021

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.