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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)

CHANGE IN USE OF PROCEEDS

Reference is made to (i) the prospectus of MS Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 21 May 2018 (the “**Prospectus**”) in relation to the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Listing**”), which sets out the intended use of the net proceeds from the issue of new shares of the Company (the “**Net Proceeds**”) at the time of preparing the Prospectus, and (ii) the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”), in which the utilisation of the Net Proceeds up to 30 June 2021 was disclosed. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus and the 2021 Interim Report.

CHANGE IN USE OF PROCEEDS

The Company received Net Proceeds of approximately HK\$48.6 million. As at the date of this announcement, the unutilised Net Proceeds amounted to approximately HK\$10.1 million. On 11 March 2022, the Board has resolved to revise the allocation of the unutilised Net Proceeds and the expected timeline for fully utilising the remaining Net Proceeds (the “**Reallocation**”). Details of the revision are set out as follows:

| | Original allocation of the Net Proceeds as disclosed in the Prospectus <i>HK\$ million</i> | Utilised Net Proceeds as at the date of this announcement <i>HK\$ million</i> | Unutilised Net Proceeds as at the date of this announcement <i>HK\$ million</i> | Expected Revised timeline for allocation of fully utilising the Unutilised the remaining Net Proceeds <i>HK\$ million</i> |
|---|---|--|--|--|
| Expansion of production capabilities | 17.7 | 17.7 | — | 4.0 Before 31 December 2022 |
| Development of the Yo Yo Monkey Business | 13.0 | 13.0 | — | 6.1 Before 31 December 2022 |
| Strengthening the client base of the OEM Business | 5.3 | 2.1 | 3.2 | — — |
| Improve product development capabilities | 8.8 | 1.9 | 6.9 | — — |
| Working capital and administrative expenses | 3.8 | 3.8 | — | — — |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total | <u>48.6</u> | <u>38.5</u> | <u>10.1</u> | <u>10.1</u> |

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

With reference to the Prospectus and the 2021 Interim Report, the currently unutilised Net Proceeds were originally intended for (i) the strengthening of client base, such as participating in tradeshows for the OEM Business; and (ii) improving product development capabilities, such as engaging industrial engineers to assist customers to design new products for the OEM Business. Based on the latest business review by the Group and with reference to the above table, the Group believes such unutilised Net Proceeds should be reallocated for (i) the expansion of production capabilities, particularly, for the purchase of injection machines that can meet manufacturing needs; and (ii) the development of the Yo Yo Monkey Business, particularly, for the conducting of offline and online marketing activities and the employment of sales staff, to better fit the overall development strategy and the current circumstances of the Group in light of the following major factors:

- as the OEM Business is the main revenue and profit contributor to the Group, the Group has a stronger need for the expansion of production capabilities (such as the purchase of new models of injection machines) to replace the aged machinery and to keep up with the latest technological advancements, so as to maintain the capability of the Group to meet the needs of customers and to maintain the competitiveness of the Group in the market; and
- as the Yo Yo Monkey Business is involved in the sale of own-brand products, it requires more marketing activities for brand building and sales staff for market penetration as compared with the OEM Business. Moreover, as mentioned in the 2021 Interim Report, in view of the current shift in market landscape brought by the industry trend and COVID-19, the Group has been placing efforts to develop its online sales platforms, therefore more resources for online marketing sales and promotion are necessary. The Group believes that the Yo Yo Monkey Business, if provided with further resources, can better capture the growing potential in the PRC market.

Given the above considerations, in order to enhance the use efficiency of the unutilised Net Proceeds, the Board has resolved to effect the Reallocation as disclosed above. The Board confirms that there are no material changes in the nature of the business of the Group as set out in the Prospectus and the 2021 Interim Report. The Board considers the Reallocation to be fair and reasonable and in the interests of the Group and the Shareholders as a whole and will not bring any material adverse impact to the existing businesses and operations of the Group.

The Board will continuously assess the plan for the use of the unutilised Net Proceeds and may revise or amend such plan where necessary to cope with the changing market conditions and strive for better business performance of the Group.

Save as disclosed in this announcement, there are no other changes on the use of the Net Proceeds.

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

Hong Kong, 11 March 2022

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