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MS GROUP HOLDINGS LIMITED

萬成集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1451)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022, together with the comparative figures for the corresponding period of 2021, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

| | Note | 2022 HK\$'000 | 2021 HK\$'000 |
|--------------------------------|------|----------------------|----------------------|
| Revenue | 2 | 260,142 | 293,746 |
| Cost of sales | | <u>(180,345)</u> | <u>(207,405)</u> |
| Gross profit | | 79,797 | 86,341 |
| Selling expenses | | (13,301) | (19,137) |
| Administrative expenses | | (41,154) | (37,403) |
| Other income | 4 | 2,666 | 333 |
| Other losses, net | 5 | <u>(341)</u> | <u>(893)</u> |
| Operating profit | | <u>27,667</u> | <u>29,241</u> |
| Finance income | | 1,532 | 431 |
| Finance expenses | | <u>(705)</u> | <u>(616)</u> |
| Finance income/(expenses), net | | <u>827</u> | <u>(185)</u> |
| Share of result of associates | 11 | <u>(8,278)</u> | <u>(5,089)</u> |
| Profit before taxation | | 20,216 | 23,967 |
| Taxation | 6 | <u>(6,411)</u> | <u>(8,555)</u> |
| Profit for the year | | <u><u>13,805</u></u> | <u><u>15,412</u></u> |

| | <i>Note</i> | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| Attributable to: | | | |
| — Equity holders of the Company | | <u>13,805</u> | <u>15,412</u> |
| | | HK cents | HK cents |
| Profit per share attributable to equity holders of the Company during the year | | | |
| Basic and diluted | 7 | <u>6.90</u> | <u>7.71</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

| | 2022 | 2021 |
|--|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit for the year | 13,805 | 15,412 |
| Items that may be reclassified to consolidated income statement: | | |
| Exchange translation differences | <u>(10,052)</u> | <u>3,700</u> |
| Total comprehensive income for the year attributable to: | | |
| — Equity holders of the Company | <u>3,753</u> | <u>19,112</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

| | <i>Note</i> | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 28,044 | 35,013 |
| Right-of-use assets | | 5,933 | 1,706 |
| Investment in associates | <i>11</i> | 9,883 | 18,161 |
| | | 43,860 | 54,880 |
| Current assets | | | |
| Inventories | | 39,057 | 40,999 |
| Trade and other receivables | <i>9</i> | 27,649 | 31,252 |
| Deposits and prepayments | | 3,922 | 5,424 |
| Cash and cash equivalents | | 134,798 | 123,216 |
| | | 205,426 | 200,891 |
| Total assets | | 249,286 | 255,771 |
| EQUITY | | | |
| Equity attributable to the Company's equity holders | | | |
| Share capital | | 20,000 | 20,000 |
| Share premium | | 36,614 | 36,614 |
| Other reserves | | 9 | 9,080 |
| Retained earnings | | 151,191 | 137,386 |
| Total equity | | 207,814 | 203,080 |

| | <i>Note</i> | 2022 HK\$'000 | 2021 <i>HK\$'000</i> |
|-------------------------------------|-------------|--------------------------------|-------------------------|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Lease liabilities | | 1,810 | — |
| Deferred income tax liabilities | | <u>2,976</u> | <u>3,540</u> |
| | | <u>4,786</u> | <u>3,540</u> |
| Current liabilities | | | |
| Trade and other payables | <i>10</i> | 30,330 | 41,890 |
| Lease liabilities | | 4,200 | 1,861 |
| Tax payable | | <u>2,156</u> | <u>5,400</u> |
| | | <u>36,686</u> | <u>49,151</u> |
| Total liabilities | | <u>41,472</u> | <u>52,691</u> |
| Total equity and liabilities | | <u>249,286</u> | <u>255,771</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1 BASIS OF PREPARATION

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

(i) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use — Amendments to HKAS 16
- Onerous Contracts — Cost of Fulfilling a Contract — Amendments to HKAS 37
- Annual Improvements to HKFRS Standards 2018-2020
- Reference to the Conceptual Framework — Amendments to HKFRS 3
- Covid-19 Related Rent Concessions beyond 30 June 2021 — Amendment to HKFRS 16 (March 2021) (the “HKFRS 16 Amendment (March 2021)”)
- Amendments to AG 5 — Merger Accounting for Common Control Combinations

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(ii) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 REVENUE

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

| | 2022 HK\$’000 | 2021 HK\$’000 |
|---|-----------------------|-----------------------|
| Revenue from OEM Business customer products | 241,119 | 262,861 |
| Revenue from own brand products | <u>19,023</u> | <u>30,885</u> |
| | <u><u>260,142</u></u> | <u><u>293,746</u></u> |

3 SEGMENT INFORMATION

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

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

The segment information provided to the chief operating decision-maker for the year ended 31 December 2022 and 2021 is as follows:

| | 2022 | | | 2021 | | |
|---|---|-----------------------------------|-------------------|---|-----------------------------------|-------------------|
| | OEM Business customer products HK\$'000 | Own brand products HK\$'000 | Total HK\$'000 | OEM Business customer products HK\$'000 | Own brand products HK\$'000 | Total HK\$'000 |
| Segment revenue from external customers | 241,119 | 19,023 | 260,142 | 262,861 | 30,885 | 293,746 |
| Cost of sales | <u>(167,498)</u> | <u>(12,848)</u> | <u>(180,345)</u> | <u>(187,213)</u> | <u>(20,192)</u> | <u>(207,405)</u> |
| Gross profit | 73,621 | 6,176 | 79,797 | 75,648 | 10,693 | 86,341 |
| Selling expenses | | | (13,301) | | | (19,137) |
| Administrative expenses | | | (41,154) | | | (37,403) |
| Other income | | | 2,666 | | | 333 |
| Other losses, net | | | (341) | | | (893) |
| Finance income/(expenses), net | | | 827 | | | (185) |
| Share of result of associates | | | <u>(8,278)</u> | | | <u>(5,089)</u> |
| Profit before taxation | | | 20,216 | | | 23,967 |
| Taxation | | | <u>(6,411)</u> | | | <u>(8,555)</u> |
| Profit for the year | | | <u>13,805</u> | | | <u>15,412</u> |

For the years ended 31 December 2022 and 2021, the Group recognised all revenue from contracts with customers on a point in time basis.

Geographical information

The Group's revenue is mainly derived from customers located in the United States of America ("US"), Italy and the People's Republic of China ("PRC"). The Group's revenue by the geographical location of the customers, determined based on the domicile countries of the customers, irrespective of the destinations of the goods, is detailed below:

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|-----------------|-------------------------|-------------------------|
| US | 230,550 | 253,863 |
| Italy | 1,489 | 806 |
| PRC | 25,663 | 38,300 |
| Other countries | <u>2,440</u> | <u>777</u> |
| | <u><u>260,142</u></u> | <u><u>293,746</u></u> |

Major customers' information

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

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|-----------------------------|-------------------------|-------------------------|
| The largest customer | 129,449 | 143,423 |
| The second largest customer | <u>88,477</u> | <u>99,617</u> |

Non-current assets information

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|-----------|-------------------------|-------------------------|
| Hong Kong | 1,238 | 782 |
| PRC | 32,739 | 35,937 |
| US | <u>9,883</u> | <u>18,161</u> |
| | <u><u>43,860</u></u> | <u><u>54,880</u></u> |

4 OTHER INCOME

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|------------------|-------------------------|-------------------------|
| Government grant | 2,103 | — |
| Sundries | <u>563</u> | <u>333</u> |
| | <u><u>2,666</u></u> | <u><u>333</u></u> |

5 OTHER LOSSES, NET

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Net foreign exchange losses | (303) | (477) |
| Loss on disposal of property, plant and equipment | (38) | (153) |
| Sundries | — | (263) |
| | <u>(341)</u> | <u>(893)</u> |

6 TAXATION

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|----------------------------------|-------------------------|-------------------------|
| Current income tax | | |
| Hong Kong Profits Tax | 5,048 | 5,906 |
| PRC enterprise income tax | 1,927 | 1,124 |
| | <u>6,975</u> | <u>7,030</u> |
| Deferred income tax | (564) | 1,525 |
| | <u>6,411</u> | <u>8,555</u> |
| Income tax expenses for the year | <u>6,411</u> | <u>8,555</u> |

For each of the years ended 31 December 2022 and 2021, 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:

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Profit before taxation | 20,216 | 23,967 |
| Add: share of results of associates | 8,278 | 5,089 |
| | <u>28,494</u> | <u>29,056</u> |
| Profit before tax and before share of results of associates | <u>28,494</u> | <u>29,056</u> |
| Calculated at a tax rate of 16.5% (2021: 16.5%) | 4,702 | 4,794 |
| Effect of different tax rates in other jurisdictions | 282 | 145 |
| Tax effect of expenses not deductible for tax purpose | 1,161 | 2,696 |
| Tax effect of income not taxable for tax purpose | (522) | (172) |
| Tax losses not recognised | 788 | 1,092 |
| | <u>6,411</u> | <u>8,555</u> |
| Income tax expenses | <u>6,411</u> | <u>8,555</u> |

7 EARNINGS PER SHARE

(a) Basic earnings per share

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

| | 2022 | 2021 |
|---|-------------|-------------|
| Profit attributable to owners of the Company (HK\$'000) | 13,805 | 15,412 |
| Weighted average number of ordinary shares in issue (thousands) | 200,000 | 200,000 |
| Basic earnings per share (Hong Kong cents) | <u>6.90</u> | <u>7.71</u> |

(b) Diluted earnings per share

Diluted earnings per share for the year ended 31 December 2022 and 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.

8 DIVIDEND

Subsequent to the end of the reporting period, the Board recommended the declaration and payment of a final dividend and a final special dividend of HK3 cents and HK3 cents per ordinary share, respectively, totaling HK6 cents per ordinary share for the year ended 31 December 2022 (2021: Nil). The proposed final dividend and final special dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting to be held on Thursday, 1 June 2023 and will be payable on or around Thursday, 29 June 2023, if approved by the shareholders.

9 TRADE AND OTHER RECEIVABLES

| | 2022 | 2021 |
|----------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade receivables | 29,009 | 33,535 |
| Loss allowance | <u>(2,595)</u> | <u>(2,362)</u> |
| | 26,414 | 31,173 |
| Other receivables | 455 | 79 |
| Loan to an associate | <u>780</u> | <u>—</u> |
| | <u>27,649</u> | <u>31,252</u> |

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:

| | 2022 | 2021 |
|--------------|----------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0–30 days | 18,965 | 23,130 |
| 31–60 days | 1,677 | 1,318 |
| 61–90 days | 936 | 2,254 |
| Over 90 days | 4,836 | 4,471 |
| | <u>26,414</u> | <u>31,173</u> |

10 TRADE AND OTHER PAYABLES

| | 2022 | 2021 |
|-----------------------------|----------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade payables | 5,625 | 13,225 |
| Accruals and other payables | 21,796 | 23,585 |
| Contract liabilities | 2,909 | 5,080 |
| | <u>30,330</u> | <u>41,890</u> |

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

| | 2022 | 2021 |
|--------------|---------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0–30 days | 4,106 | 8,430 |
| 31–60 days | 363 | 3,126 |
| 61–90 days | 1 | 42 |
| Over 90 days | 1,155 | 1,627 |
| | <u>5,625</u> | <u>13,225</u> |

11 INVESTMENT IN ASSOCIATES

| | 2022 | 2021 |
|------------|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Associates | <u>9,883</u> | <u>18,161</u> |

The share of net losses recognised in the consolidated income statement for the year ended 31 December 2022 included share of operating losses amounted HK\$3,608,000 (2021: HK\$1,858,000) before share of amortisation of intangible assets identified during the acquisition amounted HK\$3,231,000 (2021: HK\$3,231,000) and share of impairment loss of associates amounted HK\$1,439,000 (2021: nil).

12 SHARE-BASED PAYMENTS

Share-based payments amounted HK\$981,000 (2021: HK\$888,000) was recognised in the consolidated income statement during the year ended 31 December 2022.

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 known as “Yo Yo Monkey (優優馬騮)”.

Global inflation, the COVID-19 pandemic (particularly its resurgence in the PRC) and the military conflict between Russia and Ukraine continued to dampen the global economy in year 2022. Although these matters did not cause direct material impact on the overall operations (such as procurement and manufacturing) of the Group, their impacts on the global economy had created an industry environment that was unfavourable to the Group.

Under such harsh industry conditions, the total revenue of the Group for the year ended 31 December 2022 lowered by approximately 11.4%, where the revenue from both the OEM Business and the Yo Yo Monkey experienced a certain degree of decline, as compared with the preceding year.

The OEM Business, which focused on the overseas market, continued to be the primary revenue and profit contributor to the Group for the year ended 31 December 2022. Despite the sales orders received by the Group had reduced due to the poor industry condition affected by the unstable global economy as aforementioned, the profitability of the OEM Business in terms of gross profit margin for year 2022 slightly improved as compared with that of the preceding year in light of (i) the reduction in raw material cost; and (ii) the depreciation of Renminbi.

The Yo Yo Monkey Business faced challenges in the PRC market and recorded a notable decline in sales in year 2022 as compared to that of year 2021, mainly due to resurgence of the COVID-19 pandemic in year 2022, where regional lockdowns hindered retail sales. The gross profit margin of the Yo Yo Monkey Business for year 2022 slightly lowered as compared with the preceding year. The number of third party retail stores in the PRC selling products of the Group decreased from 204 at the end of year 2021 to 170 at the end of year 2022.

Overall, the net profit attributable to Shareholders of the Group lowered from approximately HK\$15.4 million for the year ended 31 December 2021 to approximately HK\$13.8 million for the year ended 31 December 2022, representing a decline of approximately HK\$1.6 million or approximately 10.4%, which was in line with the reduction in revenue.

OUTLOOK AND STRATEGIC PLAN

Under the current market environment, the outlook of the industry is highly unclear for the upcoming year. Global issues including the impacts brought forward by the COVID-19 pandemic and the military conflict between Russia and Ukraine may not be completely resolved in the short term. For instance, the possible resurgence of new variants of the COVID-19 virus and the escalation of military operations any time in the future would bring further pressure to the global economy, such as lockdown of cities and fluctuation of raw material costs. Despite the trade war between the PRC and the United States did not cause a material direct impact (such as tariffs) on the operations of the Group for the year ended 31 December 2022, the potential enactment of stricter trade policies between the PRC and the United States could be unfavourable to the Group. Moreover, the low birthrate in the PRC is also unfavourable to the Group as it may dampen the future market growth of infant products. Hence, both of the OEM Business and the Yo Yo Monkey Business are expected to continue to face challenges and uncertainties in the upcoming period.

The Group has been closely monitoring the changes in the economy and in the industry. The Group takes appropriate strategic actions from time to time to cope with the business environment. For the OEM Business, apart from the provision of quality services and solidifying business relations with the existing major customers, the Group has also been attempting to identify new customers with a view to diversifying its customer base on a worldwide basis. For the own brand business, apart from enhancing product diversities to cover a variety of item categories, the Group has also been putting efforts to expand geographically to other markets with own-brand products that cope with the culture and trend of the local market. In addition, the Group has always been exploring ways to drive down its overall operating costs and expenses with a view to enhancing profitability, such as through (i) further automatising and streamlining production cycles to minimise labour force and wasted resources; and (ii) closely monitoring the effectiveness of its administrative, selling and related expenses to minimise unnecessary expenditures.

FINANCIAL REVIEW

Revenue

Revenue of the Group amounted to approximately HK\$260.1 million for the year ended 31 December 2022 (2021: approximately HK\$293.7 million), representing a decrease of approximately 11.4% as compared with the preceding year. The revenue from both the OEM Business and the Yo Yo Monkey Business recorded a decline.

- ***OEM Business***

For the year ended 31 December 2022, revenue generated from the OEM Business amounted to approximately HK\$241.1 million, representing a decrease of approximately 8.3%, as compared to that of approximately HK\$262.9 million for the preceding year. For the year ended 31 December 2022, 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\$129.4 million (2021: approximately HK\$143.4 million), representing an decrease of approximately 9.7%; and (ii) the revenue generated from the second largest customer of the Group amounted to approximately HK\$88.5 million (2021: approximately HK\$99.6 million), representing a decrease of approximately 11.2%. Such decline was mainly attributable to the unfavourable industry sentiment brought by the unstable macro-economic environment, where the customers of the Group became more conservative and were more reluctant to place more orders.

- ***Yo Yo Monkey Business***

For the year ended 31 December 2022, the Yo Yo Monkey Business recorded revenue of approximately HK\$19.0 million, representing a decline of approximately 38.4% as compared to that of approximately HK\$30.9 million for the preceding year. Such decline was mainly due to the resurgence of the COVID-19 pandemic in the PRC in 2022, where the government measures including lockdowns hindered retail sales performance as the operation of various retail outlets were temporarily suspended to control the spread of the pandemic.

Gross profit

The overall gross profit of the Group was approximately HK\$79.8 million, representing an overall gross profit margin of approximately 30.7%, for the year ended 31 December 2022 as compared to that of approximately HK\$86.3 million, representing a gross profit margin of approximately 29.4% for the year ended 31 December 2021. For the year ended 31 December 2022, the gross profit margin of the OEM Business was approximately 30.5% (2021: approximately 28.8%) and the gross profit margin of the Yo Yo Monkey Business was approximately 32.5% (2021: approximately 34.6%). Overall, the Group was able to maintain its gross profit margin in year 2022 as compared with the preceding year.

Selling expenses

The Group incurred selling expenses of approximately HK\$13.3 million for the year ended 31 December 2022, representing a decrease of approximately 30.5% as compared to that of approximately HK\$19.1 million for the year ended 31 December 2021. Such decrease was mainly attributable to (i) the reduction of transportation expenses; and (ii) the lowering of promotion expenses as part of the cost control measures of the Group.

Administrative expenses

The administrative expenses of the Group amounted to approximately HK\$41.2 million for the year ended 31 December 2022, representing an increase of approximately 10.0% as compared to that of approximately HK\$37.4 million for the year ended 31 December 2021. Such increase was mainly attributable to (i) the increase in administrative staff costs in relation to the provision for annual leave payment and long service payment and the amortisation of share based payment; and (ii) the increase in impairment losses on trade receivables for year 2022 as compared with year 2021.

Other income and gains/losses

The Group recorded net other income of approximately HK\$2.3 million for the year ended 31 December 2022, as compared to net other losses of approximately HK\$560,000 for the year ended 31 December 2021. The net other income in year 2022 was mainly attributable to the government grant of approximately HK\$2.1 million.

Finance income/expenses, net

The Group incurred net finance income of approximately HK\$827,000 for the year ended 31 December 2022, as compared to that of approximately HK\$185,000 net finance expenses for the year ended 31 December 2021. The finance income was mainly derived from bank depository interest, while the financial expenses were mainly interest expenses for the utilisation of bill facilities and interests for lease liabilities.

Share of result of associates

The Group recorded a share of losses of associates of approximately HK\$8.3 million for the year ended 31 December 2022 (2021: HK\$5.1 million). The loss for the year 2022 was primarily attributable to share of operating loss amounting to approximately HK\$3.6 million (2021: HK\$1.9 million) before share of amortisation of intangible assets amounting to approximately HK\$3.2 million (2021: HK\$3.2 million) and share of impairment loss of associate amounting to approximately HK\$1.5 million (2021: nil).

Net profit

The Group recorded a slight reduction in net profit attributable to equity holders of the Company from approximately HK\$15.4 million for the year ended 31 December 2021 to approximately HK\$13.8 million for the year ended 31 December 2022 primarily due to the decrease in revenue, under the unfavourable industry environment.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2022, the cash and cash equivalents of the Group amounted to approximately HK\$134.8 million (2021: approximately HK\$123.2 million). The cash and cash equivalents of the Group as at 31 December 2022 were primarily denominated in Hong Kong dollars, Renminbi and United States dollars. The net increase in cash and cash equivalents from 31 December 2021 to 31 December 2022 by approximately HK\$11.6 million was mainly attributable to the net cash generated from operating activities of approximately HK\$22.9 million, which was in turn driven by the profit before income tax of approximately HK\$20.2 million for the year ended 31 December 2022.

As at 31 December 2022, the Group maintained banking facilities of approximately HK\$30.0 million (2021: approximately HK\$30.0 million), which were partly utilised as bills facilities to settle payments to suppliers from time to time. As at 31 December 2022, such banking facilities were not utilised.

As at 31 December 2022, the gearing ratio of the Group (being total interest-bearing borrowings divided by total equity) was nil (2021: Nil).

CAPITAL COMMITMENT AND CAPITAL EXPENDITURE

As at 31 December 2022, the Group had no capital commitment (2021: Nil).

For the year ended 31 December 2022, the capital expenditure of the Group (being gross addition of property, plant and equipment) was approximately HK\$1.8 million (2021: approximately HK\$6.3 million). Such capital expenditure was primarily for the acquisition of new machineries and equipment.

TREASURY POLICY

The Group had sufficient level of cash and banking facilities for the conduct of its trade in the normal course of business during the year ended 31 December 2022. 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 2022, the Group recorded a loss on foreign exchange of approximately HK\$303,000 (2021: loss on foreign exchange of approximately HK\$477,000).

The Group had not used any derivatives to hedge its exposure to foreign exchange risk during the year ended 31 December 2022. 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 2022 (2021: nil).

MATERIAL ACQUISITION, DISPOSAL AND INVESTMENT

The Group did not perform any material acquisition or disposal of subsidiaries, associates or joint ventures or investments during the year ended 31 December 2022; The Group did not hold any significant investment as at 31 December 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual results announcement, the Group did not have other plans for material investments and capital assets during the year ended 31 December 2022 and up to the date of this annual results announcement.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no material contingent liabilities, nor was aware of any pending or potential material legal proceedings involving the Group.

EVENTS AFTER THE YEAR

As at the date of this annual results announcement, there is no other material change or major event required to be disclosed by the Company after 31 December 2022.

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 at the offer price of HK\$1.34 per Share), after deducting related underwriting fees and other expenses in connection with the Listing, was approximately HK\$48.6 million.

As at 31 December 2022, all of the net proceeds from the Listing had been fully utilised in accordance with the manner described in (i) the section headed “Future plans and use of proceeds” in the Prospectus; and (ii) the reallocation of the unutilised use of proceeds stated in the announcement of the Company dated 11 March 2022 as follows:

| | Original allocation of use of net proceeds from the Listing ⁽¹⁾ <i>HK\$ million</i> | Reallocated use of net proceeds from the Listing ⁽²⁾ <i>HK\$ million</i> | Actual utilisation up to 31 December 2021 <i>HK\$ million</i> | Actual utilisation up to 31 December 2022 <i>HK\$ million</i> | Unutilised amount as at 31 December 2022 <i>HK\$ million</i> |
|---|--|--|--|--|---|
| Use of net proceeds | | | | | |
| Expansion of production capabilities | 17.7 | 21.7 | 17.7 | 21.7 | — |
| Development of the Yo Yo Monkey Business | 13.0 | 19.1 | 13.0 | 19.1 | — |
| Strengthening the client base of the OEM Business | 5.3 | 2.1 | 2.1 | 2.1 | — |
| Improve product development capabilities | 8.8 | 1.9 | 1.9 | 1.9 | — |
| Working capital and administrative expenses | 3.8 | 3.8 | 3.8 | 3.8 | — |
| Total | <u>48.6</u> | <u>48.6</u> | <u>38.5</u> | <u>48.6</u> | <u>—</u> |

Notes:

- (1) Based on the allocation stated in the Prospectus.
- (2) Based on the reallocation described in the announcement of the Company dated 11 March 2022.

As shown in the above table, all of the net proceeds from the Listing had been fully utilised as at 31 December 2022.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2022, the Group had 666 full-time employees (2021: 740). The reduction in the number of employees as at 31 December 2022 as compared to that of 31 December 2021 was mainly because of the lower demand for production workers (non-administrative staff) for manufacturing processes along with the reduction in sales order received in year 2022.

Employees were remunerated and granted bonus based on their performance, work experience and prevailing market conditions. In compliance with statutory requirements in the PRC, the Group participated in a social insurance scheme and a housing provident fund. The social insurance scheme included pension insurance, medical insurance, maternity insurance, unemployment insurance and work injury insurance. For the Hong Kong employees, the Group contributed to the mandatory provident fund scheme as applicable. Employee benefit expenses of the Group in total for the year ended 31 December 2022 was approximately HK\$73.9 million (2021: approximately HK\$76.6 million).

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

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

PROSPECTS

In year 2022, the operating environment was still challenging. In particular, the sales performance in the second half of 2022 was notably weaker than in the first half of 2022 and the duration of such declining trend is unclear. The Group has been taking a cautious stance to endure the downward cycle.

Adverse impacts caused by (i) the global inflation trend; (ii) the COVID-19 pandemic; (iii) the trade war between the PRC and the United States; (iv) the low birth rate in the PRC; and (v) the military conflicts involving Russia and Ukraine are not expected to be completely resolved in the near term. For instance, (i) government policies to battle inflation might weaken the macro economy, which in turn might weaken consumer confidence and deteriorate the sales performance of the products of the Group;

(ii) a possible resurgence of new variants of the COVID-19 virus might lead to regional lockdowns that deteriorate the retail sales of the products of the Group; (iii) the potential enactment of stricter trade policies between the PRC and the United States could increase the costs for the import of raw material and/or the export of products of the Group; (iv) the low birthrate trend in the PRC, if continued, may further dampen the future market growth of infant goods, being some of the key products of the Group; and (v) an escalation of military operations by Russia or other countries might exert downward pressure to the global economy and bring volatility to raw material costs. Accordingly, both the OEM Business and the Yo Yo Monkey Business are expected to continue to face challenges and uncertainties in the upcoming period.

The OEM Business primarily targets the overseas markets, where a majority of its revenue is derived from customers based in the United States. The Group has continued to deliver quality products and services to its customers over the years, however the adverse industry environment and consumer consumption levels are beyond the control of the Group. In year 2022, the weaker performance of the OEM Business was mainly attributable to the lower product demand by the two major customers of the Group as the customers were more prudent in procurement in a weakened industry environment. Despite the outlook of the industry environment of the overseas markets are expected to still be clouded by uncertainties in the upcoming year, the Group will continue to provide quality products and services with its best effort to strengthen its bonds with the existing customers and its reputation in the industry. The Group will also continue to place efforts to develop business relationship with potential customers to broaden its customer base on a global basis to lower its reliance on limited geographical regions and customers.

The Yo Yo Monkey Business primarily targets the mid-to-high end market in the infant and toddler segment in the PRC. The “Yo Yo Monkey (優優馬騮)” brand of the Group is one of the few quality baby brand products originated from Hong Kong and is well positioned to capture the growing potential in the PRC market. Similar to the OEM Business, the sales performance of the Yo Yo Monkey Business was also adversely impacted by the unfavourable industry environment, particularly because of the resurgence of COVID-19 and regional lockdowns in the PRC in year 2022. The Group cannot ascertain whether another wave of pandemic (such as possible new variants of the virus) and regional lockdowns would recur. Moreover, local competition has been fierce with competitors from different regions attempting to gain market share, where the Group faced difficulties in expanding sales and further enhancing margin. Furthermore, the lowering birth rate in the PRC might also weaken the future growth rate of the industry, where the population the PRC fell for the first time in 60 years with the national birth rate hitting a record low of 6.77 births per 1,000 people. Nonetheless, the Group will continue to leverage on its established brand name in the market and tackle the challenges with suitable strategies. For instance, the Group would consider to (i) allocate resources to further enhance its online sales in order to accommodate with the latest market demand trend where consumers might spend more time at home and shop over the internet during the pandemic; and (ii) put efforts to expand the geographical markets of its own-brand products to the overseas by utilising its existing networks established through the OEM Business to broaden revenue stream.

In addition to the endeavours to develop through organic growth, the Group strives to explore suitable business and investment opportunities in a prudent manner, including but not limited to identifying acquisition targets on a global basis that are able to bring production synergies to the Group. The investment to obtain 40% interest in BRH2 Plastics, LLC was completed in 2021 and, although BRH2 Plastics, LLC has not yet generated profit to the Group, the Group believes this overseas investment is beneficial to the Group in the long run through various synergies, including the sharing of production techniques and business connections in the plastic products manufacturing industry.

In the past few years, the Group had weathered the unfavourable industry environment under the pandemic and was able to maintain its financial performance in terms of net profit generation through revenue expansion and/or cost control. The core competitiveness of the Group lies in its long term strategic relationships established with its upstream and downstream business partners and also its reputation and experience accumulated in the industry throughout the years. Although the industry environment is not very optimistic in the coming year because of the series of challenges and uncertainties, the Group will not be idle, but will continue to make unremitting efforts to carry out business review, capitalise on its core competitiveness and promptly make appropriate business adjustments to optimise and cope with the ever-changing market environment, with a view to unleashing the potentials of the Group and delivering sustainable growth. In addition, the Group will continue to identify, explore and capture business and investment opportunities to drive growth. The industry is still stormy, but the Group prepares itself and sails carefully for the better times ahead.

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 2022.

DIVIDENDS

The Board has recommended the payment of a final dividend and a final special dividend of HK3 cents and HK3 cents per ordinary share, respectively, totaling HK6 cents per ordinary share for the year ended 31 December 2022 (2021: Nil), amounting to a total of approximately HK\$12 million (2021: Nil), subject to approval of the shareholders of the Company at the forthcoming annual general meeting (the "AGM"). Upon approval of the shareholders of the Company, the proposed final dividend and final special dividend will be paid on or around 29 June 2023 to the shareholders of the Company whose names appear on the Company's register of members as at 6 June 2023. The payment of dividend, particularly the final special dividend, was recommended after considering (i) the existing level of cash and cash equivalents and the working capital requirements for future business development of the Group, where surplus cash can be returned to shareholders; (ii) the ability of the Group to remain profitable under the COVID-19 pandemic; and (iii) the appreciation for the support of the shareholders.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “**AGM**”) will be held on 1 June 2023. 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.

CLOSURE OF REGISTER OF MEMBERS

The Company will hold the annual general meeting on Thursday, 1 June 2023. The register of members of the Company will be closed from Monday, 29 May 2023 to Thursday, 1 June 2023 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attendance and voting at the forthcoming annual general meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar and transfer office of the Company, Tricor Investor Services Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 25 May 2023.

For determining the entitlement to the proposed final dividend and final special dividend, the register of members of the Company will be closed from Wednesday, 7 June 2023 to Friday, 9 June 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend and final special dividend, all transfer of Shares, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong share registrar and transfer office of the Company, Tricor Investor Services Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 6 June 2023.

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 2022.

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining high standards of corporate governance. The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the “**CG Code**”) under Appendix 14 to the Listing Rules. During the year ended 31 December 2022, the Company had complied with all applicable code provisions set out in the CG Code.

REVIEW OF FINANCIAL INFORMATION

The figures in respect of the Group’s consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been reviewed by the Company’s audit committee and agreed by the Group’s auditor, PricewaterhouseCoopers, to the

amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement of the Company is published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.mainsuccess.cn). The annual report of the Company for the financial year ended 31 December 2022 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, 17 March 2023

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.