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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 2023

### KEY FINANCIAL INFORMATION AND RATIOS (UNAUDITED)

		Six months ended 30 June	
		2023	2022
Revenue	<i>HK\$'000</i>	<b>113,163</b>	161,192
Gross profit	<i>HK\$'000</i>	<b>37,047</b>	50,456
Gross profit margin	%	<b>32.7%</b>	31.3%
Operating profit	<i>HK\$'000</i>	<b>14,386</b>	22,347
Profit attributable to equity holders	<i>HK\$'000</i>	<b>9,063</b>	12,947
Basic earnings per Share	<i>HK cents</i>	<b>4.53</b>	6.47
Interim dividend per Share	<i>HK cents</i>	<b>Nil</b>	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 2023, together with the comparative figures for the corresponding period of 2022, as follows:

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2023

	<i>Note</i>	<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2023</b>	2022
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	6	<b>113,163</b>	161,192
Cost of sales		<u><b>(76,116)</b></u>	<u>(110,736)</u>
Gross profit		<b>37,047</b>	50,456
Selling expenses		<b>(4,755)</b>	(8,451)
Administrative expenses		<b>(19,134)</b>	(21,733)
Other income		<b>597</b>	1,713
Other gains, net		<u><b>631</b></u>	<u>362</u>
Operating profit		<u><b>14,386</b></u>	<u>22,347</u>
Finance income		<b>2,267</b>	429
Finance expenses		<u><b>(291)</b></u>	<u>(276)</u>
Finance income, net	7	<b>1,976</b>	153
Share of result of associates	18	<u><b>(3,213)</b></u>	<u>(3,531)</u>
Profit before taxation	8	<b>13,149</b>	18,969
Taxation	9	<u><b>(4,086)</b></u>	<u>(6,022)</u>
Profit for the period		<u><b>9,063</b></u>	<u>12,947</u>
Attributable to:			
— Equity holders of the Company		<u><b>9,063</b></u>	<u>12,947</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><b>4.53</b></u>	<u>6.47</u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
<b>Profit for the period</b>	<b>9,063</b>	12,947
<b>Item that may be subsequently reclassified to income statement:</b>		
Exchange translation differences	<u>(4,609)</u>	<u>(5,619)</u>
<b>Other comprehensive loss for the period, net of tax</b>	<u>(4,609)</u>	<u>(5,619)</u>
<b>Total comprehensive income for the period</b>	<u><b>4,454</b></u>	<u>7,328</u>
<b>Total comprehensive income for the period attributable to:</b>		
— Equity holders of the Company	<u><b>4,454</b></u>	<u>7,328</u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	25,620	28,044
Right-of-use assets		3,691	5,933
Investment in associates	18	<u>6,670</u>	<u>9,883</u>
		<u>35,981</u>	<u>43,860</u>
<b>Current assets</b>			
Inventories		22,246	39,057
Trade and other receivables	13	28,361	27,649
Deposits and prepayments		8,095	3,922
Cash and cash equivalents		<u>146,423</u>	<u>134,798</u>
		<u>205,125</u>	<u>205,426</u>
<b>Total assets</b>		<u>241,106</u>	<u>249,286</u>
<b>EQUITY</b>			
<b>Equity attributable to the Company's equity holders</b>			
Share capital	15	20,000	20,000
Share premium		36,614	36,614
Other reserves		(4,332)	9
Retained earnings		<u>148,254</u>	<u>151,191</u>
<b>Total equity</b>		<u>200,536</u>	<u>207,814</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		—	1,810
Deferred income tax liabilities		<u>2,790</u>	<u>2,976</u>
		<u>2,790</u>	<u>4,786</u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION  
(CONTINUED)**

*As at 30 June 2023*

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2023</b>	2022
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Current liabilities</b>			
Trade and other payables	<i>14</i>	<b>29,126</b>	30,330
Lease liabilities		<b>3,784</b>	4,200
Tax payable		<b>4,870</b>	2,156
		<u><b>37,780</b></u>	<u>36,686</u>
<b>Total liabilities</b>		<u><b>40,570</b></u>	<u>41,472</u>
<b>Total equity and liabilities</b>		<u><b>241,106</b></u>	<u>249,286</u>
<b>Net current assets</b>		<u><b>167,345</b></u>	<u>168,740</u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Unaudited						
	Share capital	Share premium	Capital reserve	Exchange reserve	Share based payment reserve	Retained earnings	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2022	<u>20,000</u>	<u>36,614</u>	<u>131</u>	<u>8,061</u>	<u>888</u>	<u>137,386</u>	<u>203,080</u>
<b>Comprehensive income:</b>							
Profit for the period	—	—	—	—	—	12,947	12,947
<b>Other comprehensive loss:</b>							
Exchange translation differences	—	—	—	(5,619)	—	—	(5,619)
Total comprehensive income for the period ended 30 June 2022	<u>—</u>	<u>—</u>	<u>—</u>	<u>(5,619)</u>	<u>—</u>	<u>12,947</u>	<u>7,328</u>
<b>Transactions with equity holders:</b>							
Share-based payments	—	—	—	—	683	—	683
Total transactions with equity holders	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>683</u>	<u>—</u>	<u>683</u>
Balance at 30 June 2022	<u>20,000</u>	<u>36,614</u>	<u>131</u>	<u>2,442</u>	<u>1,571</u>	<u>150,333</u>	<u>211,091</u>
Balance at 1 January 2023	<u>20,000</u>	<u>36,614</u>	<u>131</u>	<u>(1,991)</u>	<u>1,869</u>	<u>151,191</u>	<u>207,814</u>
<b>Comprehensive income:</b>							
Profit for the period	—	—	—	—	—	9,063	9,063
<b>Other comprehensive loss:</b>							
Exchange translation differences	—	—	—	(4,609)	—	—	(4,609)
Total comprehensive income for the period ended 30 June 2023	<u>—</u>	<u>—</u>	<u>—</u>	<u>(4,609)</u>	<u>—</u>	<u>9,063</u>	<u>4,454</u>
<b>Transactions with equity holders:</b>							
Dividend paid	—	—	—	—	—	(12,000)	(12,000)
Share-based payments	—	—	—	—	268	—	268
Total transactions with equity holders	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>268</u>	<u>(12,000)</u>	<u>(11,732)</u>
Balance at 30 June 2023	<u>20,000</u>	<u>36,614</u>	<u>131</u>	<u>(6,600)</u>	<u>2,137</u>	<u>148,254</u>	<u>200,536</u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	27,415	21,813
Tax paid	<u>(1,260)</u>	<u>(363)</u>
Net cash generated from operating activities	<u>26,155</u>	<u>21,450</u>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(1,164)	(1,589)
Proceeds from disposal of property, plant and equipment	46	—
Interest received	<u>2,186</u>	<u>429</u>
Net cash generated from/(used in) investing activities	<u>1,068</u>	<u>(1,160)</u>
<b>Cash flows from financing activities</b>		
Interest paid	(291)	(276)
Payment of principal element of lease liabilities	(2,078)	(2,196)
Dividend paid	<u>(12,000)</u>	<u>—</u>
Net cash used in financing activities	<u>(14,369)</u>	<u>(2,472)</u>
Net increase in cash and cash equivalents	12,854	17,818
Cash and cash equivalents at 1 January	134,798	123,216
Exchange losses on cash and cash equivalents	<u>(1,229)</u>	<u>(348)</u>
Cash and cash equivalents at 30 June	<u>146,423</u>	<u>140,686</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 2023 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

## 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 2022 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. 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 2022.



## 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 2022.

There have been no changes in the risk management policies since the year ended 31 December 2022.

### (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	
	2023	2022
	HK\$'000	HK\$'000
<b>Revenue</b>		
OEM Business customer products	106,695	150,581
Own brand products	<u>6,468</u>	<u>10,611</u>
	<u><b>113,163</b></u>	<u><b>161,192</b></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 identified as 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.

## 6 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the chief operating decision-maker for the six months ended 30 June 2023 (unaudited) is as follows:

	<b>OEM Business customer products HK\$'000</b>	<b>Own brand products HK\$'000</b>	<b>Total HK\$'000</b>
Segment revenue from external customers			
Timing of revenue recognition — at a point in time	<b>106,695</b>	<b>6,468</b>	<b>113,163</b>
Cost of sales	<u><b>(72,029)</b></u>	<u><b>(4,087)</b></u>	<u><b>(76,116)</b></u>
Gross profit	<b>34,666</b>	<b>2,381</b>	<b>37,047</b>
Selling expenses			<b>(4,755)</b>
Administrative expenses			<b>(19,134)</b>
Other income			<b>597</b>
Other gains, net			<b>631</b>
Finance income, net			<b>1,976</b>
Share of result of associates			<u><b>(3,213)</b></u>
Profit before taxation			<b>13,149</b>
Taxation			<u><b>(4,086)</b></u>
Profit for the period			<u><u><b>9,063</b></u></u>

## 6 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the chief operating decision-maker for the six months ended 30 June 2022 (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	150,581	10,611	161,192
Cost of sales	<u>(103,578)</u>	<u>(7,158)</u>	<u>(110,736)</u>
Gross profit	47,003	3,453	50,456
Selling expenses			(8,451)
Administrative expenses			(21,733)
Other income			1,713
Other gains, net			362
Finance income, net			153
Share of result of associates			<u>(3,531)</u>
Profit before taxation			18,969
Taxation			<u>(6,022)</u>
Profit for the period			<u><u>12,947</u></u>

## 7 FINANCE INCOME, NET

	Unaudited Six months ended 30 June	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bills payables	(169)	(224)
Interest expenses on lease liabilities	(122)	(52)
Bank interest income	<u>2,267</u>	<u>429</u>
	<u><u>1,976</u></u>	<u><u>153</u></u>

## 8 PROFIT BEFORE TAXATION

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

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Cost of inventory	43,986	67,302
Provision for the impairment loss on inventory	848	2,761
Employee benefit expenses	32,783	40,939
Management fee expenses	1,187	1,239
Depreciation of property, plant and equipment (Note 12)	2,590	3,760
Depreciation of right-of-use assets	2,096	2,054
Change in expected credit losses for trade receivables	(461)	549
Net (gain)/loss on disposal/write-off of property, plant and equipment	(28)	17
Government grants	(563)	(1,582)

## 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	
	2023	2022
	HK\$'000	HK\$'000
Current — Hong Kong		
Provision for the period	718	4,537
Current — PRC		
Provision for the period	3,329	1,606
Under-provision in respect of prior years	—	176
Deferred		
Provision for the period	39	(297)
Taxation charge	4,086	6,022

## 10 DIVIDENDS

On 17 March 2023, the Board declared a final dividend and a final special dividend of HK\$3 cents (2022: Nil) and HK\$3 cents (2022: Nil) per ordinary share, respectively, totaling HK\$6 cents (2022: Nil) per ordinary share, payable to shareholders whose names appear on the register of the members of the Company on 6 June 2023. The total amount of the final dividend and final special dividend was HK\$12 million (2022: Nil) and was paid on 29 June 2023.

## 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	
	2023	2022
Profit attributable to owners of the Company (HK\$'000)	9,063	12,947
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>4.53</u>	<u>6.47</u>

### (b) Diluted earnings per share

Diluted earnings per share for the period ended 30 June 2023 and 2022 are 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

	<b>Decoration</b> <i>HK\$'000</i>	<b>Furniture and fixtures</b> <i>HK\$'000</i>	<b>Office equipment</b> <i>HK\$'000</i>	<b>Plants and machinery</b> <i>HK\$'000</i>	<b>Tools and equipment</b> <i>HK\$'000</i>	<b>Motor vehicles</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 31 December 2022 (audited)							
Cost	14,691	1,453	5,281	64,489	17,161	4,111	107,186
Accumulated depreciation	<u>(6,572)</u>	<u>(1,429)</u>	<u>(4,527)</u>	<u>(46,018)</u>	<u>(16,783)</u>	<u>(3,813)</u>	<u>(79,142)</u>
Net book amount	<u>8,119</u>	<u>24</u>	<u>754</u>	<u>18,471</u>	<u>378</u>	<u>298</u>	<u>28,044</u>
<b>Period ended 30 June 2023 (unaudited)</b>							
Opening net book amount	<b>8,119</b>	<b>24</b>	<b>754</b>	<b>18,471</b>	<b>378</b>	<b>298</b>	<b>28,044</b>
Exchange differences	<b>(207)</b>	<b>1</b>	<b>13</b>	<b>(779)</b>	<b>—</b>	<b>(8)</b>	<b>(980)</b>
Additions	<b>—</b>	<b>—</b>	<b>55</b>	<b>509</b>	<b>—</b>	<b>600</b>	<b>1,164</b>
Disposals/write-off	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(18)</b>	<b>(18)</b>
Depreciation charge	<u><b>(364)</b></u>	<u><b>(5)</b></u>	<u><b>(127)</b></u>	<u><b>(1,883)</b></u>	<u><b>(93)</b></u>	<u><b>(118)</b></u>	<u><b>(2,590)</b></u>
Closing net book amount	<u><b>7,548</b></u>	<u><b>20</b></u>	<u><b>695</b></u>	<u><b>16,318</b></u>	<u><b>285</b></u>	<u><b>754</b></u>	<u><b>25,620</b></u>
At 30 June 2023 (unaudited)							
Cost	14,392	1,453	5,146	63,533	17,161	4,478	106,163
Accumulated depreciation	<u>(6,844)</u>	<u>(1,433)</u>	<u>(4,451)</u>	<u>(47,215)</u>	<u>(16,876)</u>	<u>(3,724)</u>	<u>(80,543)</u>
Net book amount	<u>7,548</u>	<u>20</u>	<u>695</u>	<u>16,318</u>	<u>285</u>	<u>754</u>	<u>25,620</u>

### 13 TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Trade receivables	26,645	29,009
Loss allowance	<u>(2,134)</u>	<u>(2,595)</u>
	<b>24,511</b>	26,414
Other receivables	1,500	455
Loan to an associate	<u>2,350</u>	<u>780</u>
	<b><u>28,361</u></b>	<b><u>27,649</u></b>

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 2023 HK\$'000	Audited 31 December 2022 HK\$'000
0 – 30 days	12,062	18,965
31 – 60 days	7,584	1,677
61 – 90 days	724	936
Over 90 days	<u>4,141</u>	<u>4,836</u>
	<b><u>24,511</u></b>	<b><u>26,414</u></b>

### 14 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Trade payables	6,131	5,625
Accruals and other payables	19,929	21,796
Contract liabilities	<u>3,066</u>	<u>2,909</u>
	<b><u>29,126</u></b>	<b><u>30,330</u></b>

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

#### 14 TRADE AND OTHER PAYABLES (CONTINUED)

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

	<b>Unaudited</b> <b>30 June</b> <b>2023</b> <i>HK\$'000</i>	Audited 31 December 2022 <i>HK\$'000</i>
0 – 30 days	4,234	4,106
31 – 60 days	431	363
61 – 90 days	2	1
Over 90 days	<u>1,464</u>	<u>1,155</u>
	<u><b>6,131</b></u>	<u><b>5,625</b></u>

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

#### 15 SHARE CAPITAL

	<b>No. of shares</b>	<b>Amount</b> <i>HK\$'000</i>
<b>Ordinary shares of HK\$0.1 each, authorised:</b>		
<b>At 30 June 2022 (unaudited), 31 December 2022 and 30 June 2023 (unaudited)</b>	<u>3,800,000,000</u>	<u>380,000</u>
<b>Ordinary shares of HK\$0.1 each, issued and fully paid:</b>		
<b>At 30 June 2022 (unaudited), 31 December 2022 and 30 June 2023 (unaudited)</b>	<u>3,800,000,000</u>	<u>20,000</u>

#### 16 CONTINGENT LIABILITIES

As at 30 June 2023 and 31 December 2022, 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
Huafulai Green Energy (Shaoguan) Co., Ltd (“ <b>Huafulai</b> ”)	Controlled by Mr. Chau Wai
Kwong Fai Trading Limited (“ <b>Kwong Fai</b> ”)	Jointly controlled by Mr. Chung and his spouse
Penghui Qiye (Wengyuan) Company Limited (“ <b>Penghui</b> ”)	Controlled by Controlling Shareholders
Racing Champions Limited (“ <b>Racing Champions</b> ”)	Jointly controlled by Mr. Chung and his spouse

### (a) Transactions with related parties

	Unaudited	
	2023	2022
	HK\$'000	HK\$'000
Huafulai		
— Utility expenses	313	—
Kwong Fai		
— Depreciation of right-of-use assets	285	322
— Interest expenses on lease liabilities	19	4
Penghui		
— Management fee expenses	1,090	1,163
— Depreciation of right-of-use assets	1,811	1,732
— Interest expenses on lease liabilities	103	48
Racing Champions		
— Purchase of Property, plant and equipment	<u>600</u>	<u>—</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\$3,691,000 and lease liabilities of HK\$3,783,000 as at 30 June 2023 from Kwong Fai and Penghui. During the period ended 30 June 2023, the lease payments paid to Kwong Fai and Penghui were HK\$300,000 (2022: HK\$365,000) and HK\$1,900,000 (2022: HK\$1,883,000), respectively.

### (b) Key management compensation

During the period ended 30 June 2023, no transactions (2022: Nil) have been entered into with the directors of the Company (being the key management personnel) other than the emoluments paid or accrued to them (being key management personnel compensation).

## 18 INVESTMENT IN ASSOCIATES

In 2021, the Group acquired 40% interest in BRH2 Plastics, LLC at an aggregate consideration of HK\$23,250,000 (US\$3,000,000). The associate 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:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
Associates	<u><b>6,670</b></u>	<u>9,883</u>

The share of result recognised in the condensed consolidated interim income statement for the six months ended 30 June 2023 comprised of a share of operating losses amounting to HK\$1,598,000 (2022: HK\$1,916,000) and an amortisation of intangible assets identified during the acquisition amounting to HK\$1,615,000 (2022: 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. Where share options are forfeited, any expenses previously recognised in relation to such share options are reversed effective from the date of the forfeiture.

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\$268,000 (2022: HK\$683,000) was recognised in the condensed consolidated interim income statement during the period ended 30 June 2023.

## 20 APPROVAL OF INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2023 was approved by the Board on 24 August 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 30 June 2023, 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 Base situated in Wengyuan County, Shauguan City, Guangdong Province, the PRC and the majority of the revenue of the Group is derived from the OEM Business.

The impact of the COVID-19 epidemic on the global economy has weakened, but under the influence of the continued Russia-Ukraine conflict and a series of inflation control policies on a global scale, global economic growth is experiencing a slowdown. For instance, the economic growth in the United States for the first half of 2023 was lower than that in the second half of 2022. Hence, the Group continued to face a challenging economic and business environment for the six months ended 30 June 2023.

The OEM Business, whose major market is the United States, recorded a notable year-on-year decline for the six months ended 30 June 2023. Sluggish economic performance, inflation, rising interest rates, high energy costs, and geopolitical uncertainties under the Russia-Ukraine conflict and US-China tension had caused demand and customer sentiments to weaken, where customers of the OEM Business conservatively reduced orders and maintained lower inventory level. In terms of international trade, the PRC lost the title of the top exporter of goods to the United States in the first half for the first time in over a decade, outpaced by Mexico and Canada, where American imports from the PRC fell by approximately 25% for the first half of 2023 as compared with the first half of 2022. During such uneasy period, the Group persistently manufactured and delivered quality products to its customers of the OEM Business and also actively liaised with its major customer to explore potential cooperation in relation to the production of certain bottle models.

The revenue from the Yo Yo Monkey Business had not yet recovered and also recorded notable year-on-year decline for the six months ended 30 June 2023, primarily due to intense industry competition and the declining birth rate in the PRC.

On the whole, the Group took a prudent approach, such as reducing marketing and promotional spending and, for the first half of 2023, the Group was able to maintain its overall profit margin and remained profitable under such turbulent business environment.

## Financial Review

The following table sets out the key financial figures of the Group for the six months ended 30 June 2023, with comparative figures for the six months ended 30 June 2022.

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Revenue	113,163	161,192
Gross profit	37,047	50,456
Profit before income tax	13,149	18,969
Net profit attributable to equity holders	<u>9,063</u>	<u>12,947</u>

### Revenue

#### *OEM Business*

For the six months ended 30 June 2023, revenue generated from the OEM Business amounted to approximately HK\$106.7 million, which represented a year-on-year decline of approximately 29.1%, as compared to approximately HK\$150.6 million for the corresponding period in 2022. The performance of the OEM Business was influenced by the unfavourable economic and industry climate, particularly in the United States (being the major market of the OEM Business), as mentioned in the paragraph headed “Business review” above. For the six months ended 30 June 2023, customers conservatively reduced orders and maintained lower inventory level, leading to a declining trend of the orders on hand of the Group, nevertheless, the two largest customers continued to be the major contributors of revenue for the OEM Business, where they contributed revenue of approximately HK\$72.0 million (first half of 2022: approximately HK\$82.3 million) and HK\$30.0 million (first half of 2022: approximately HK\$50.3 million), respectively.

#### *Yo Yo Monkey Business*

For the six months ended 30 June 2023, the Yo Yo Monkey Business recorded revenue of approximately HK\$6.5 million, which represented a decrease of approximately 39.1% as compared to approximately HK\$10.6 million for the corresponding period in 2022. The Yo Yo Monkey Business was impacted by the COVID-19 pandemic and continued to struggle to recover in view of, among other things, (i) the fierce price wars in the local market affecting the sales of the products of the Group which target the mid-to-high-end market; (ii) the shift in market trend to shop online rather than at retail shops which the Group had focused on; and (iii) the ongoing decline in birth rate in the PRC, where the birth rate in 2022 was the lowest recorded in decades.

### ***Gross profit***

The gross profit of the Group was approximately HK\$37.0 million, representing a gross profit margin of approximately 32.7%, for the six months ended 30 June 2023, as compared to the gross profit of approximately HK\$50.5 million, representing a gross profit margin of approximately 31.3%, for the six months ended 30 June 2022.

For the six months ended 30 June 2023, the gross profit margin of the OEM Business was approximately 32.5% (first half of 2022: approximately 31.2%). Such slight increases in gross profit margin was mainly attributable to (i) the depreciation of Renminbi during the period, which lowered production cost at the PRC Production Base when converted to Hong Kong dollars; and (ii) a slight decrease in raw material costs.

For the six months ended 30 June 2023, and the gross profit margin of the Yo Yo Monkey Business was approximately 36.8% (first half of 2022: approximately 32.5%). Such slight increase in gross profit margin was mainly attributable to the reduction in promotional sales which resulted in overall higher selling prices.

### ***Selling expenses***

The selling expenses of the Group was approximately HK\$4.8 million for the six months ended 30 June 2023, representing a decrease of approximately HK\$3.7 million or 43.7% as compared to approximately HK\$8.4 million for the six months ended 30 June 2022. Such decrease was mainly attributable to (i) the reduction in marketing and promotional spending for the Yo Yo Monkey Business in the first half of 2023 as a measure of cost control; and (ii) the reduction in transportation costs for product deliveries along with the decrease in revenue.

### ***Administrative expenses***

The administrative expenses of the Group amounted to approximately HK\$19.1 million for the six months ended 30 June 2023, representing a year-on-year decline of approximately HK\$2.6 million. Such decrease was mainly because of (i) the reduction in administrative staff costs by approximately HK\$2.0 million including the provision for share based payment and long service payment; and (ii) the reduction in impairment losses on trade receivables by approximately HK\$1.0 million. The administrative expenses of the Group accounted for approximately 16.9% of total revenue for the six months ended 30 June 2023, representing an increase as compared to approximately 13.5% of total revenue for the six months ended 30 June 2022.

### ***Other income and gains***

The Group recorded other net income and gains of approximately HK\$1.2 million for the six months ended 30 June 2023, as compared to the other net income and gains of approximately HK\$2.1 million for the six months ended 30 June 2022. The other income and gains were mainly sundry income, which primarily included government grants of approximately HK\$0.6 million and exchange gains of approximately HK\$0.6 million, for the six months ended 30 June 2023.

### ***Finance income***

The Group recorded a net finance income of approximately HK\$2.0 million for the six months ended 30 June 2023, as compared to the net finance income of approximately HK\$153,000 for the six months ended 30 June 2022. The finance expenses were mainly interest expenses for the utilisation of bill facilities and lease liabilities, whilst the finance income was mainly bank depository interest. The Group recorded a higher amount of finance income for the six months ended 30 June 2023 as compared with the six months ended 30 June 2022 mainly because the Group placed a higher amount of time deposits at bank and gained more interest income.

### ***Share of result of associates***

The Group recorded a share of losses of associates of approximately HK\$3.2 million for the six months ended 30 June 2023, which was approximately HK\$3.5 million for the six months ended 30 June 2022. It was primarily attributable to the amortisation of intangible assets identified during the acquisition which amounted to approximately HK\$1.6 million and the share of loss amounting to approximately HK\$1.6 million in relation to Group's 40% interest in BRH2 Plastics, LLC.

### ***Net profit***

The Group recorded a net profit of approximately HK\$9.1 million for the six months ended 30 June 2023, which was approximately HK\$3.9 million lower than that of approximately HK\$12.9 million for the six months ended 30 June 2022. The decrease in net profit was mainly attributable to the reduction in sales orders from the major OEM Business customers aforementioned.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 June 2023, the cash and cash equivalents of the Group amounted to approximately HK\$146.4 million (31 December 2022: approximately HK\$134.8 million). The cash and cash equivalents of the Group as at 30 June 2023 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\$26.2 million for the six months ended 30 June 2023, which was primarily driven by profit before taxation of approximately HK\$13.1 million. As at 30 June 2023, the Group maintained banking facilities of approximately HK\$30.0 million (31 December 2022: HK\$30.0 million). As at 30 June 2023, the gearing ratio of the Group (being total interest-bearing borrowings divided by total equity) was nil (31 December 2022: Nil).

## **CAPITAL COMMITMENT AND CAPITAL EXPENDITURE**

As at 30 June 2023, the Group had no capital commitment (31 December 2022: Nil).

For the first half of 2023, the capital expenditure of the Group (being gross addition of property, plant and equipment) was approximately HK\$1,164,000 (first half of 2022: approximately HK\$1,589,000). Such capital expenditure was primarily for the acquisition of new machineries, motor vehicles, 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 2023. 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 2023, the Group recorded a gain on foreign exchange of approximately HK\$0.6 million (first half of 2022: gain on foreign exchange of approximately HK\$0.4 million).

The Group had not used any derivatives to hedge its exposure to foreign exchange risk during the six months ended 30 June 2023. 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 2023 (31 December 2022: Nil).

## **MATERIAL ACQUISITION, DISPOSAL AND INVESTMENT**

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 2023; and (ii) did not hold any significant investment as at 30 June 2023.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

The Group did not have future plans for material investments and capital assets during the six months ended 30 June 2023 and up to the date of this interim results announcement.

## **CONTINGENT LIABILITIES**

As at 30 June 2023, 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 interim results announcement, there is no other material change or major event required to be disclosed by the Company after 30 June 2023.

## **EMPLOYEES AND REMUNERATION POLICIES**

The Group had 634 full-time employees as at 30 June 2023, which was lower than that of 744 full-time employees as at 30 June 2022. The reduction in the number of employees 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 the first half of 2023.

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 2023 was approximately HK\$32.8 million (first half of 2022: approximately HK\$40.9 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**

Since the outbreak of the COVID-19 pandemic, market sentiment has been weighed down on a worldwide scale. The recovery from the COVID-19 pandemic was hindered by, among other factors, the Russia-Ukraine military conflict and high inflation. Under such challenging market environment, the major customers of the OEM Business, being the core business of the Group, have been conservatively reducing orders and maintaining lower inventory level to avoid downside risks. The market environment is still on its recovery path, but the progress in the upcoming period is vastly uncertain, thus the Group is expected to face challenges ahead.

The performance of the OEM Business is dependent on the United States market given a significant portion of its revenue is derived from customers based in the United States. The economy of the United States is being hampered by numerous unfavourable factors as aforementioned and these matters are not expected to be completely resolved in the short term. Moreover, the ongoing trade disputes between the PRC and the United States also add uncertainty to the overall outlook of the businesses of the Group given the Production Base is situated in the PRC. Nevertheless, the Group will continue to proactively develop this core 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 relies on the PRC market and the performance of the business has been, and is expected to continue to be, challenged by (i) the fierce local competition, where price wars make it difficult for the Group to gain market share without lowering margin; (ii) the shift of consumer purchasing habit from offline to online, which undermined the sales of the Group, given the Group has been primarily generating sales through retail sales at physical stores; and (iii) the declining trend of birth rate in the PRC, where the birth rate in 2022 was the lowest recorded in decades and structurally weakened industry product demand. However, the Group believes the Yo Yo Monkey Business is well positioned in the PRC market in light of, among other things, “Yo Yo Monkey (優優馬騮)” is one of the few quality baby brand products originated from Hong Kong that has established its market presence in the PRC over the years. Moreover, in order to cope with the gradual shift in market landscape from offline to online sales, the Group has continuously placed efforts on enhancing its internet platforms.

In respect of BRH2 Plastics, LLC (a 40% owned associate of the Company), its performance was also still affected by the negative macro-economic environment. The Group expects it can generate more synergies when the market conditions further improve.

The Group is in the midst of a challenging economic and industry environment, where the Group has been taking a prudent approach and has been avoiding overly aggressive expansion, aiming for a stable development path. At the same time, the Group makes unremitting efforts to review its businesses operations and also monitor market directions in order to identify long term growth potentials, such as possible measures to improve overall cost efficiency, channels to expand revenue stream and investments to enhance product manufacturing capability. Over the years, the Group has already laid solid foundation for its businesses, including but not limited to its accumulated industry reputation for quality production and also its long term strategic relationships established with business partners (e.g. customers and suppliers), hence the Group is well positioned to navigate through hard times and overcome its challenges ahead. The management of the Group is conservatively optimistic as to the long term prospects of the Group.

## **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. 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 2023.

## **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 2023.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

## **CORPORATE GOVERNANCE CODE**

The Company is committed to achieving and maintaining high standards of corporate governance. For the six months ended 30 June 2023, 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 2023. It has also reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2023 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 2023 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](http://www.hkexnews.hk)) and the Company ([www.mainsuccess.cn](http://www.mainsuccess.cn)). The interim report for the six months ended 30 June 2023 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, 24 August 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.*