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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 2018

KEY FINANCIAL INFORMATION AND RATIOS (UNAUDITED)

		Six months ended 30 June	
		2018	2017
Revenue	<i>HK\$'000</i>	110,064	105,399
Gross profit	<i>HK\$'000</i>	33,471	37,200
Gross profit margin	<i>%</i>	30.4	35.3
Operating (loss)/profit	<i>HK\$'000</i>	(4,840)	13,495
Operating profit (excluding listing expenses)	<i>HK\$'000</i>	3,987	15,852
(Loss)/Profit attributable to equity holders	<i>HK\$'000</i>	(5,747)	10,438
Profit attributable to equity holders (excluding listing expenses)	<i>HK\$'000</i>	3,080	12,795
Basic (loss)/earnings per Share	<i>HK cents</i>	(3.63)	6.96
Interim dividend per Share	<i>HK cents</i>	Nil	Nil

The board (the “**Board**”) of directors (“**Directors**”) of MS Group Holdings Limited (the “**Company**”) is pleased to present the unaudited interim results of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2018, together with the comparative figures for the corresponding period of 2017, as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Unaudited	
		Six months ended 30 June	
		2018	2017
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	6	110,064	105,399
Cost of sales		<u>(76,593)</u>	<u>(68,199)</u>
Gross profit		33,471	37,200
Selling expenses		(15,526)	(8,796)
Administrative expenses		(14,095)	(12,999)
Other income		—	417
Other gains, net		137	30
Listing expenses		<u>(8,827)</u>	<u>(2,357)</u>
Operating (loss)/profit	7	(4,840)	13,495
Finance income		3	2
Finance expenses		<u>(132)</u>	<u>—</u>
Finance (expenses)/income, net	8	<u>(129)</u>	<u>2</u>
(Loss)/profit before taxation		(4,969)	13,497
Taxation	9	<u>(778)</u>	<u>(3,059)</u>
(Loss)/profit for the period		<u>(5,747)</u>	<u>10,438</u>
Attributable to:			
— Equity holders of the Company		<u>(5,747)</u>	<u>10,438</u>
		<i>HK Cents</i>	<i>HK Cents</i>
(Loss)/profit per share attributable to equity holders of the Company during the period			
Basic and diluted	11	<u>(3.63)</u>	<u>6.96</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
(Loss)/profit for the period	(5,747)	10,438
Item that may be subsequently reclassified to income statement:		
Exchange translation differences	<u>(1,115)</u>	<u>469</u>
Other comprehensive (loss)/income for the period, net of tax	<u>(1,115)</u>	<u>469</u>
Total comprehensive (loss)/income for the period	<u>(6,862)</u>	<u>10,907</u>
Total comprehensive (loss)/income for the period attributable to:		
— Equity holders of the Company	<u>(6,862)</u>	<u>10,907</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

		Unaudited	Audited
		30 June	31 December
		2018	2017
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	<u>33,024</u>	<u>32,309</u>
Current assets			
Inventories		46,992	42,727
Trade and other receivables	13	25,921	27,629
Deposits and prepayments		14,605	12,963
Tax recoverable		2,196	—
Pledged time deposits	14	10,000	10,000
Cash and cash equivalents		<u>66,622</u>	<u>36,560</u>
		<u>166,336</u>	<u>129,879</u>
Total assets		<u>199,360</u>	<u>162,188</u>
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	18	20,000	—
Share premium		36,614	—
Other reserves		2,063	3,178
Retained earnings		<u>93,109</u>	<u>98,856</u>
Total equity		<u>151,786</u>	<u>102,034</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		<u>39</u>	<u>39</u>

		Unaudited 30 June 2018 <i>HK\$'000</i>	Audited 31 December 2017 <i>HK\$'000</i>
	<i>Note</i>		
Current liabilities			
Trade and other payables	15	27,144	40,294
Bills payables	16	8,391	2,881
Amounts due to related companies		—	13,861
Borrowings	17	12,000	—
Tax payable		<u>—</u>	<u>3,079</u>
		<u>47,535</u>	<u>60,115</u>
Total liabilities		<u>47,574</u>	<u>60,154</u>
Total equity and liabilities		<u>199,360</u>	<u>162,188</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Share capital HK\$'000	Share premium HK\$'000	Unaudited Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
Balance at 1 January 2017	—	—	131	1,280	81,358	82,769
Comprehensive income:						
Profit for the period	—	—	—	—	10,438	10,438
Other comprehensive income:						
Exchange translation differences	—	—	—	469	—	469
Total comprehensive income for the period ended 30 June 2017	—	—	—	469	10,438	10,907
Balance at 30 June 2017	—	—	131	1,749	91,796	93,676
Balance at 1 January 2018	—	—	131	3,047	98,856	102,034
Comprehensive loss:						
Loss for the period	—	—	—	—	(5,747)	(5,747)
Other comprehensive loss:						
Exchange translation differences	—	—	—	(1,115)	—	(1,115)
Total comprehensive loss for the period ended 30 June 2018	—	—	—	(1,115)	(5,747)	(6,862)
Transactions with equity holders:						
Issuance of ordinary shares under initial public offering (the “IPO”)	20,000	36,614	—	—	—	56,614
Transactions with equity holders	20,000	36,614	—	—	—	56,614
Balance at 30 June 2018	20,000	36,614	131	1,932	93,109	151,786

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash (used in)/generated from operations	(28,228)	15,556
Interest paid	(79)	—
Tax paid	<u>(6,053)</u>	<u>(1,528)</u>
Net cash (used in)/generated from operating activities	<u><u>(34,360)</u></u>	<u><u>14,028</u></u>
Cash flows from investing activities		
Decrease in amounts due from shareholders	—	1,795
Purchases of property, plant and equipment	(4,195)	(1,616)
Proceeds from disposal of property, plant and equipment	—	3
Interest received	<u>3</u>	<u>2</u>
Net cash (used in)/generated from investing activities	<u><u>(4,192)</u></u>	<u><u>184</u></u>
Cash flows from financing activities		
Receipts from short-term loan	12,000	—
Proceeds from issuance of ordinary shares under IPO	67,000	—
Professional expenses paid in connection with IPO	<u>(10,386)</u>	<u>—</u>
Net cash generated from financing activities	<u><u>68,614</u></u>	<u><u>—</u></u>
Net increase in cash and cash equivalents	30,062	14,212
Cash and cash equivalents at 1 January	<u>36,560</u>	<u>41,319</u>
Cash and cash equivalents at 30 June	<u><u>66,622</u></u>	<u><u>55,531</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 CORPORATION 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 “**Listing Business**”).

The controlling shareholders of the Company are Mr. Chung Kwok Keung (“**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 2018 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 Company’s combined financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA, as set out in the prospectus of the Company dated 21 May 2018 (the “**Prospectus**”).

Pursuant to the group reorganisation as set out in the Prospectus, which was completed on 15 May 2018 (the “**Reorganisation**”), the Company became the holding company of its subsidiaries now comprising the Group. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 1 June 2018. The condensed consolidated interim financial information of the Group have been prepared as if the Group had always been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

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 Company’s combined financial statements for the year ended 31 December 2017, except for the adoption of new standards and amendments to standards and accounting policy not yet applied which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2018.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New Standards and amendments to standards

A number of new standards and amendments to standards became applicable for the current reporting period. The Group has changed its accounting policies as a result of adopting the following standards:

- HKFRS 9 Financial Instruments
- HKFRS 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed in note 3(b) below. The adoption of other new standards and amendments to standards does not have a significant impact on the Group's accounting.

(b) Effect of the adoption of the aforementioned new standards

(i) *HKFRS 9 Financial Instruments — Impact of adoption*

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Impairment of financial assets

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets classified at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies. The adoption has no significant impact on the opening balance of retained earnings as at 1 January 2018 to the Group.

(ii) *HKFRS 15 Revenue from Contracts with Customers — Impact of adoption*

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018. In accordance with the transition provisions in HKFRS 15, the comparative information for prior periods is not restated.

The adoption does not have any impact on the recognition of the Group's revenue stream. Revenue from sales of goods is recognised at the point in time of transfer of ownership. As a result, the adoption of HKFRS 15 does not have an impact on the Group's revenue recognition and therefore adjustments of the Group's opening retained earnings to reflect adoption of HKFRS 15 is not required.

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

HKFRS 16 Lease

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the group's operating leases. As at 30 June 2018, the group has non-cancellable operating lease commitments of HK\$8,858,000. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The group does not intend to adopt the standard before its effective date.

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 combined financial statements for the year ended 31 December 2017.

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 Group's combined financial statements as at 31 December 2017.

There have been no changes in the risk management policies since the year ended 31 December 2017.

(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 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	
	2018	2017
	HK\$'000	HK\$'000
Revenue		
OEM Business customer products	79,180	90,990
Own brand products	30,884	14,409
	<u>110,064</u>	<u>105,399</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 the executive directors 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 infant products to OEM Business customers; and (ii) design, manufacture and sale of own brand infant products.

The segment information provided to the chief operating decision-maker for the six months ended 30 June 2018 (unaudited) is as follows:

	OEM Business customer products HK\$'000	Own brand products HK\$'000	Total HK\$'000
Segment revenue from external customers			
Timing of revenue recognition — at a point in time	79,180	30,884	110,064
Cost of sales	<u>(57,808)</u>	<u>(18,785)</u>	<u>(76,593)</u>
Gross profit	21,372	12,099	33,471
Selling expenses			(15,526)
Administrative expenses			(14,095)
Other gain — net			137
Listing expenses			(8,827)
Finance expenses — net			<u>(129)</u>
Loss before taxation			(4,969)
Taxation			<u>(778)</u>
Loss for the period			<u><u>(5,747)</u></u>

The segment information provided to the chief operating decision-maker for the six months ended 30 June 2017 (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	90,990	14,409	105,399
Cost of sales	<u>(59,914)</u>	<u>(8,285)</u>	<u>(68,199)</u>
Gross profit	31,076	6,124	37,200
Selling expenses			(8,796)
Administrative expenses			(12,999)
Other income			417
Other gain — net			30
Listing expenses			(2,357)
Finance income — net			<u>2</u>
Profit before taxation			13,497
Taxation			<u>(3,059)</u>
Profit for the period			<u><u>10,438</u></u>

7 EXPENSES BY NATURE

Unaudited
Six months ended 30 June
2018 2017
HK\$'000 HK\$'000

Raw materials and consumables used	44,127	39,229
Changes in inventories of finished goods and work in progress	1,397	1,634
Employee benefit expenses	30,881	25,088
Rental expenses	1,838	1,562
Management fee expenses	1,280	1,159
Transportation expenses	3,608	3,314
Depreciation of property, plant and equipment (<i>Note 12</i>)	3,166	3,532
Listing expenses	8,827	2,357
Tooling expenses	1,636	242
Travelling expenses	2,102	1,821
Promotion expenses	5,454	2,075
Repair and maintenance expenses	256	212
Utility expenses	2,308	2,683
Entertainment expenses	1,704	1,191
Others	<u>6,457</u>	<u>6,252</u>
 Total cost of sales, selling expenses, administrative expenses and listing expenses	 <u><u>115,041</u></u>	 <u><u>92,351</u></u>

8 FINANCE (EXPENSES)/INCOME, NET

Unaudited
Six months ended 30 June
2018 2017
HK\$'000 HK\$'000

Interest and borrowing costs on bank bills	(132)	—
Bank interest income	<u>3</u>	<u>2</u>
	<u><u>(129)</u></u>	<u><u>2</u></u>

9 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the period. The 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	
	2018	2017
	HK\$'000	HK\$'000
Current — Hong Kong		
Provision for the period	955	2,596
Current — PRC		
(Reversal)/provision for the period	<u>(177)</u>	<u>463</u>
Taxation charge	<u>778</u>	<u>3,059</u>

10 DIVIDENDS

No dividends had been paid or declared by the Company for the six months ended 30 June 2018 (2017: Nil).

11 (LOSS)/EARNINGS PER SHARE — BASIC AND DILUTED

(a) Basic (loss)/earnings per share

Basic earnings per share is calculated by dividing the (loss)/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	
	2018	2017
(Loss)/profit attributable to owners of the Company (HK\$'000)	(5,747)	10,438
Weighted average number of ordinary shares in issue (thousands)	<u>158,333</u>	<u>150,000</u>
Basic (loss)/earnings per share (Hong Kong cents)	<u>(3.63)</u>	<u>6.96</u>

In determining the numbers of ordinary shares in issue for the period ended 30 June 2017, a total of 150,000,000 ordinary shares were deemed in issue since 1 January 2017.

(b) Diluted (loss)/earnings per share

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potentially dilutive ordinary shares outstanding as at 30 June 2017 and 2018.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings and decoration <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Plants and machinery <i>HK\$'000</i>	Tools and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2017 (audited)							
Cost	11,269	1,520	4,144	58,603	6,743	4,263	86,542
Accumulated depreciation	(3,345)	(1,504)	(1,093)	(37,868)	(6,743)	(3,680)	(54,233)
Net book amount	<u>7,924</u>	<u>16</u>	<u>3,051</u>	<u>20,735</u>	<u>—</u>	<u>583</u>	<u>32,309</u>
Half-year ended 30 June 2018 (unaudited)							
Opening net book amount	7,924	16	3,051	20,735	—	583	32,309
Exchange differences	(31)	—	(29)	(228)	—	(10)	(298)
Additions	—	8	189	3,445	322	231	4,195
Disposals	—	—	—	(16)	—	—	(16)
Depreciation charge	(281)	(9)	(343)	(2,321)	(40)	(172)	(3,166)
Closing net book amount	<u>7,612</u>	<u>15</u>	<u>2,868</u>	<u>21,615</u>	<u>282</u>	<u>632</u>	<u>33,024</u>
At 30 June 2018 (unaudited)							
Cost	11,226	1,528	4,288	61,702	7,065	4,479	90,288
Accumulated depreciation	(3,614)	(1,513)	(1,420)	(40,087)	(6,783)	(3,847)	(57,264)
Net book amount	<u>7,612</u>	<u>15</u>	<u>2,868</u>	<u>21,615</u>	<u>282</u>	<u>632</u>	<u>33,024</u>

13 TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2018 <i>HK\$'000</i>	Audited 31 December 2017 <i>HK\$'000</i>
Trade receivables		
— Third parties	24,231	27,278
— Related parties	—	16
Other receivables	<u>1,690</u>	<u>335</u>
	<u>25,921</u>	<u>27,629</u>

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

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

	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
≤30 days	16,776	20,605
31–60 days	2,573	4,170
61–90 days	3,023	1,336
Over 90 days	<u>1,859</u>	<u>1,183</u>
	<u><u>24,231</u></u>	<u><u>27,294</u></u>

14 PLEDGED TIME DEPOSITS

At 30 June 2018, the time deposits of HK\$10,000,000 (31 December 2017: HK\$10,000,000) was pledged in favour of the bank for the bills facility.

15 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
Trade payables		
— Third parties	12,222	18,737
— Related parties	1,269	—
Accruals, other payables and receipts in advance	<u>13,653</u>	<u>21,557</u>
	<u><u>27,144</u></u>	<u><u>40,294</u></u>

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

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

	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
≤30 days	8,672	11,833
31–60 days	104	2,549
61–90 days	576	331
Over 90 days	<u>4,139</u>	<u>4,024</u>
	<u><u>13,491</u></u>	<u><u>18,737</u></u>

16 BILLS PAYABLES

	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
Bills payables	<u>8,391</u>	<u>2,881</u>

Bill payables of the Group are mainly repayable within three months and secured by the pledged time deposits of HK\$10,000,000.

17 BORROWINGS

	Short-term loans HK\$'000
As at 1 January 2017 and 31 December 2017 (audited)	<u>—</u>
As at 1 January 2018	—
Borrowings (<i>Note</i>)	<u>12,000</u>
As at 30 June 2018 (unaudited)	<u>12,000</u>

Note: On 11 May 2018, the Group entered into a loan agreement with an independent third party and were granted with an unsecured interest-bearing loan amounted to HK\$12,000,000 carrying a fixed interest rate of 5% per annum due on 9 July 2018 for the short term financing. The balance was fully repaid subsequent to the period end.

18 SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each, authorised:		
At 1 January 2018	3,800,000	380
Issuance of Shares (<i>Note</i>)	<u>3,796,200,000</u>	<u>379,620</u>
At 30 June 2018 (unaudited)	<u><u>3,800,000,000</u></u>	<u><u>380,000</u></u>
At 9 March 2017 (date of incorporation) and 31 December 2017 (audited)	<u><u>3,800,000</u></u>	<u><u>380</u></u>
Ordinary shares of HK\$0.1 each, issued and fully paid:		
At 1 January 2018	—	—
Issuance of shares (<i>Note</i>)	<u>200,000,000</u>	<u>20,000</u>
At 30 June 2018 (unaudited)	<u><u>200,000,000</u></u>	<u><u>20,000</u></u>
At 9 March 2017 (date of incorporation) and 31 December 2017 (audited)	<u><u>—</u></u>	<u><u>—</u></u>

Note: On 9 March 2017, the Company was incorporated and the authorised share capital was 3,800,000 shares, one share was allotted and issued nil-paid to the initial subscriber and was subsequently transferred to Mr. Chung. The one nil-paid share was credited as fully paid on 15 May 2018.

On 15 May 2018, the Company issued and allotted 50 and 49 shares, credited as fully paid, to Ching Wai Holdings Limited and L.V.E.P. Holdings Limited, respectively as directed by the Controlling Shareholders, as consideration of acquiring MS Industrial Limited and CH Development Limited.

On 1 June 2018, the Company issued 149,999,900 ordinary shares of HK\$0.1 each under capitalisation issue.

On 1 June 2018, the Company was listed (the “**Listing**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with the offering of ordinary shares of HK\$0.1 each of the Company, including, a public offering in Hong Kong of 5,000,000 shares and a placing of 45,000,000 shares at a price of HK\$1.34 per share.

19 PLEDGE OF ASSETS

Save as disclosed in note 14 to the condensed consolidated interim financial information, the Group had no pledge of assets as at 30 June 2018 (31 December 2017: Nil).

20 CONTINGENT LIABILITIES

As at 30 June 2018, the Group had no significant contingent liabilities.

21 OPERATING LEASE COMMITMENTS

As at the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
Within one year	3,730	3,730
In the second to fifth years, inclusive	<u>5,128</u>	<u>6,993</u>
	<u><u>8,858</u></u>	<u><u>10,723</u></u>

22 RELATED PARTY TRANSACTIONS

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

Name of related party	Relationship with the Group
Dongguan Humen Dafeng Printing and Packaging Products Factory	Controlled by Mr. Chau's spouse and his sibling
Kwong Fai Trading Limited	Jointly controlled by Mr. Chung and his spouse
San Yie International Holdings Limited	Controlled by Mr. Chau's spouse
Sharp Success Enterprises Limited	Controlled by Controlling Shareholders
Penghui Qiye (Wengyuan) Company Limited	Controlled by Controlling Shareholders
Wengyuanxian Dafeng Printing and Packaging Product Company Limited	Controlled by Mr. Chau's spouse and his sibling
Tat Fung Industrial (Hong Kong) Limited	Controlled by Controlling Shareholders
Tat Fung Industrial Company	Controlled by Mr. Chau's spouse and his sibling

(a) Discontinued transactions

	Unaudited Six months ended 30 June 2018 HK\$'000	2017 HK\$'000
Sharp Success Enterprises Limited		
— Motor vehicles expenses	—	30
Tat Fung Industrial (Hong Kong) Limited		
— Motor vehicles expenses	<u>—</u>	<u>60</u>

(b) Continuing transactions

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Dongguan Humen Dafeng Printing and Packaging Products Factory		
— Purchase of raw materials	—	442
Wengyuanxian Dafeng Printing and Packing Products Company Limited		
— Purchase of raw materials	8,061	—
Tat Fung Industrial Company		
— Purchase of raw materials	190	9,181
Kwong Fai Trading Limited		
— Rental expenses	300	300
Penghui Qiye (Wengyuan) Company Limited		
— Management fee expenses	1,255	1,153
— Rental expenses	1,388	1,275
San Yie International Holdings Limited		
— Sales of goods	—	51

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.

(c) Key management compensation

During the period ended 30 June 2018, no transactions have been entered into with the directors of the Company (being the key management personnel) other than the emoluments paid to them (being key management personnel compensation) (2017: Nil).

23 APPROVAL OF INTERIM FINANCIAL INFORMATION

The condensed consolidated interim financial information was approved by the Board on 24 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Company marked a new milestone when its Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 1 June 2018 (the “**Listing**”).

For the six months ended 30 June 2018, 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 People’s Republic of China (the “**PRC**”) market. The Group operates its production base situated in Guangdong Province, the PRC.

In respect of business performance for the six months ended 30 June 2018 as compared with the corresponding period in 2017, the Group recorded a slight year on year growth in total revenue, but faced an overall challenging business environment caused by (i) the increase in operating costs of the Group in the PRC resulting from the appreciation of Renminbi against Hong Kong dollar; (ii) the increase in unit procurement costs of raw materials, including plastic resin and packaging materials; and (iii) the possible trade war between the PRC and the United States.

The aforesaid challenges have especially affected the OEM Business, which has been the main profit contributor to the Group. Sales performance for the OEM Business in the first half of 2018 worsened as compared with that in the first half of 2017, mainly due to possible trade war between the PRC and the United States, which reduced the demand of the products of the Group from the OEM Business customers. Furthermore, along with the decrease in sales orders, the profitability of the Group was negatively affected by the reduction in economies of scale. In view of the business uncertainty and the decline in the revenue of the OEM Business particularly in May and June 2018, the Group has increased efforts in developing OEM relationships in the PRC by leveraging its Yo Yo Monkey contacts and network.

The Yo Yo Monkey Business achieved substantial growth in sales in the first half of 2018 as compared with that in the first half of 2017, mainly due to the increased efforts placed on marketing, promotional and other sales related activities in the PRC. These efforts were necessary to expand the brand’s distribution footprint and are expected to be beneficial for the long term development of the Yo Yo Monkey Business. In addition, apart from the flagship product logo “Yo Yo Monkey (優優馬騮)” which carries a monkey character cartoon, the Group has also started to develop other animal character cartoon logos to provide consumers with a wider variety of choices and to assist in the market penetration of this business segment.

Financial review

The following table sets out the key financial figures of the Group for the six months ended 30 June 2018, with comparative figures for the six months ended 30 June 2017.

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Revenue	110,064	105,399
Gross profit	33,471	37,200
(Loss)/profit before income tax	(4,969)	13,497
Net (loss)/profit	(5,747)	10,438
Net profit before listing expenses	3,080	12,795

Revenue

OEM Business

For the six months ended 30 June 2018, revenue generated from the OEM Business showed a 13.0% year on year decline to approximately HK\$79.2 million, compared with HK\$91.0 million for the corresponding period in 2017. Such decline was primarily due to the decrease in sales orders in May and June 2018 on customer's concern of the possible trade war between the PRC and the United States. For the first half of 2018, the two largest customers continued to be the major contributors of revenue for the OEM Business, where they respectively produced revenue of approximately HK\$40.3 million and HK\$25.4 million (first half of 2017: HK\$39.7 million and HK\$32.9 million). For the first half of 2018, the revenue of the OEM Business generated from the PRC market amounted to approximately HK\$8.1 million (first half of 2017: HK\$3.9 million).

Yo Yo Monkey Business

For the six months ended 30 June 2018, the Yo Yo Monkey Business achieved revenue of approximately HK\$30.9 million, representing a year on year increase of approximately 114.6% compared with HK\$14.4 million for the corresponding period in 2017. Such substantial growth in sales in the first half of 2018 was mainly attributable to the increased efforts placed on marketing and promotional activities in the PRC.

Gross profit

The gross profit of the Group was approximately HK\$33.5 million, representing a gross profit margin of approximately 30.4%, for the six months ended 30 June 2018, as compared with the gross profit of approximately HK\$37.2 million, representing a gross profit margin of approximately 35.3% for the six months ended 30 June 2017. For the six months ended 30 June 2018, the gross margin of the OEM Business was approximately 27.0% (six months ended 30 June 2017: 34.2%) and the gross margin of

the Yo Yo Monkey Business was approximately 39.2% (six months ended 30 June 2017: 42.5%). The decline in gross profit margin of the Group was mainly attributable to (i) the increase in operating costs of the Group in the PRC, resulting from the appreciation of Renminbi against Hong Kong dollar, particularly during the first five months of 2018; (ii) the increase in unit procurement costs of raw materials, including plastic resin and packaging materials; and (iii) the lowered revenue for the OEM Business while maintaining factory fixed overhead costs.

Selling expenses

The Group incurred selling expenses of approximately HK\$15.5 million for the six months ended 30 June 2018, representing an increase of approximately 76.1% as compared with approximately HK\$8.8 million for the six months ended 30 June 2017. The significant increase in selling distribution and promotion expenses was mainly attributable to the efforts made to develop and promote the “Yo Yo Monkey (優優馬騮)” brand, being a growing business segment of the Group in the PRC.

Administrative expenses

The administrative expenses of the Group amounted to approximately HK\$14.1 million for the six months ended 30 June 2018, representing a year on year increase of approximately 8.8%, to support the business growth of the Group. Administrative expenses accounted for approximately 12.8% of total revenue for the six months ended 30 June 2018, representing a slight increase as compared with approximately 12.3% of total revenue for the six months ended 30 June 2017.

Other income and gains

The Group recorded net other income and gains of approximately HK\$0.1 million for the six months ended 30 June 2018, compared with approximately HK\$0.4 million for the six months ended 30 June 2017. The net other income and gains were mainly derived from sundry income.

Listing expenses

The Group incurred listing expenses of approximately HK\$8.8 million for the six months ended 30 June 2018, compared with approximately HK\$2.4 million for the six months ended 30 June 2017.

Finance expenses/income

The Group incurred net finance expenses of approximately HK\$129,000 for the six months ended 30 June 2018, compared with net finance income of approximately HK\$2,000 for the six months ended 30 June 2017. The finance expenses were mainly interest expenses for the utilisation of bill facilities, while the finance income was mainly derived from bank depository interest.

Net loss/profit

As mentioned above, the revenue of the Group recorded a year on year increase of approximately 4.4% for the six months ended 30 June 2018, which was driven by the growth of the Yo Yo Monkey Business. However, due to the reduction in gross profit margin, the increase in selling expenses for

business development and the incurrence of listing expenses, the Group recorded a net loss of approximately HK\$5.7 million for the six months ended 30 June 2018, as compared with a net profit of approximately HK\$10.4 million for the six months ended 30 June 2017. For illustrative purposes, the net profit before listing expenses of the Group for the six months ended 30 June 2018 was approximately HK\$3.1 million (six months ended 30 June 2017: approximately HK\$12.8 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2018, the cash and cash equivalents of the Group amounted to approximately HK\$66.6 million (31 December 2017: approximately HK\$36.6 million). The cash and cash equivalents of the Group as at 30 June 2018 were primarily denominated in Hong Kong dollars and Renminbi and were mainly contributed by the net proceeds from the Listing. The Group had net cash used in operating activities of approximately HK\$34.4 million for the six months ended 30 June 2018, as compared with the net cash generated from operating activities of approximately HK\$14.0 million for the six months ended 30 June 2017, where such difference was mainly attributable to (i) the Group recorded loss before taxation of approximately HK\$5.0 million for the six months ended 30 June 2018 as compared with the profit before taxation of approximately HK\$13.5 million for the six months ended 30 June 2017; and (ii) the net settlement amount with related companies of approximately HK\$13.9 million for the six months ended 30 June 2018 as compared with nil for the six months ended 30 June 2017.

As at 30 June 2018, the Group maintained banking facilities of approximately HK\$10.0 million (31 December 2017: approximately HK\$10.0 million), which were partly utilised as bills facilities to settle payments to suppliers.

As mentioned in the Prospectus, on 11 May 2018, the Group entered into a loan agreement with an independent third party and was granted with an unsecured interest-bearing loan amounted to HK\$12.0 million carrying a fixed interest rate of 5% per annum due on 9 July 2018 for short term financing. This loan was fully repaid on 9 July 2018 in accordance with the terms of the loan agreement.

As at 30 June 2018, the gearing ratio of the Group (being total borrowings of HK\$12.0 million divided by total equity of approximately HK\$151.8 million) was approximately 7.9% (31 December 2017: nil).

CAPITAL COMMITMENT AND CAPITAL EXPENDITURE

As at 30 June 2018, the Group had no capital commitment (31 December 2017: nil).

For the first half of 2018, the capital expenditure of the Group (being gross addition of property, plant and equipment) was approximately HK\$4.2 million (first half of 2017: HK\$1.6 million). This capital expenditure was primarily for the acquisition of new machinery. For further information on future capital expenditure, please refer to the section headed “Future plans and use of proceeds” in the Prospectus.

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 HK dollars. The Group is exposed to exchange rate risk, especially from the fluctuation of the value of the Renminbi. The Group has not used any derivatives to hedge its exposure to foreign exchange risk.

For the six months ended 30 June 2018, the appreciation of the Renminbi against the Hong Kong dollar increased the operating costs of the Group in the PRC, which in turn had an adverse impact on the profitability of the Group, as compared with the six months ended 30 June 2017.

CHARGE ON ASSETS

Save for the deposits of HK\$10.0 million pledged to secure the banking facilities for the Group, none of the assets of the Group were pledged as at 30 June 2018.

MATERIAL ACQUISITION, DISPOSAL AND INVESTMENT

Apart from the reorganisation in relation to the Listing as detailed the section headed “History, reorganisation and corporate structure” in the Prospectus, the Group did not perform any material acquisition or disposal of subsidiaries, associates or joint ventures or investments during the six months ended 30 June 2018. The Group did not hold any significant investment as at 30 June 2018.

CONTINGENT LIABILITIES

As at 30 June 2018, 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 2018.

USE OF PROCEEDS FROM THE LISTING

The aggregate net proceeds to the Company from the Listing, after deducting related underwriting fees and other expenses in connection with the Listing, was approximately HK\$48.6 million.

As at 30 June 2018, the net proceeds from the Listing had not yet been utilised and were deposited at bank. According to the plan set out in the section headed “Future plans and use of proceeds” in the Prospectus, the net proceeds are expected to be utilised from the second half of 2018 to the first half of 2020 as follows:

- approximately HK\$17.7 million (36.5%) will be used to upgrade existing facilities and production machinery;

- approximately HK\$13.0 million (26.7%) will be used to develop the Yo Yo Monkey Business;
- approximately HK\$5.3 million (10.8%) will be used to develop the OEM Business;
- approximately HK\$8.8 million (18.1%) will be used to improve product development capabilities; and
- approximately HK\$3.8 million (7.9%) will be used as working capital and administrative expenses.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had 786 full-time employees (30 June 2017: 698). 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 based on their performance, work experience and prevailing market conditions. In compliance with 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 2018 was approximately HK\$30.9 million (first half of 2017: HK\$25.1 million).

The Group has adopted a share option scheme under which employees of the Group may be granted an opportunity to acquire proprietary interests in the Company in recognition of their contributions to the Group.

PROSPECTS

The OEM Business, which is a core business of the Group, is expected to continue to face uncertainties in the United States market. The revenue from the major customers of the OEM Business may not be as favourable as expected. If relevant trade policies or legislation are further enacted between the PRC and the United States, the performance of the OEM Business might accordingly be adversely affected. Nevertheless, the Group will continue to develop this business segment, including liaising with both existing and potential customers to obtain more sales orders and 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 is still in a growth stage and has a more positive outlook. The Group endeavours to ride on the industry growth potential created by the relaxation of the one-child policy in the PRC since 2016 and also by the increasing demand for innovative, high-quality infant and toddler

products along with the improving economy in the PRC. However, at the same time, brand building requires enormous costs and the Group is expected to continue incurring selling and marketing expenses for both offline and online marketing and other related activities in the upcoming period for the long term development of the Yo Yo Monkey Business.

The utilisation of the net proceeds from the Listing, including but not limited to upgrading existing facilities and production machinery, engaging in promotional activities and improving product development capabilities, is expected to improve the overall business performance of the Group.

By and large, the OEM Business has established long term strategic relationships with the major customers and has also accumulated reputation and experience in the industry and the Yo Yo Monkey Business is well positioned to capture the growing potential in the infant and toddler products market in the PRC.

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 Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Company has made specific enquiries of all Directors and they have confirmed in writing their compliance with the required standard set out in the Model Code for the period between 1 June 2018 (being the date of the Listing) and 30 June 2018 (both dates inclusive).

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 period between 1 June 2018 (being the date of the Listing) and 30 June 2018 (both dates inclusive).

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining high standards of corporate governance. For the period between 1 June 2018 (being the date of the Listing) and 30 June 2018 (both dates inclusive), 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 Board has discussed with the management of the Company the internal control and financial reporting matters related to the preparation of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2018. It has also reviewed

the unaudited condensed consolidated interim financial information for the six months ended 30 June 2018 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 2018 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.mainsuccess.cn). The interim report for the six months ended 30 June 2018 of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and will be published on the respective websites at 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 2018

As of the date of this announcement, the executive Directors are Mr. Chung Kwok Keung Peter, Mr. Chau Ching, 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.