

Man Shun Group (Holdings) Limited 萬順集團(控股)有限公司

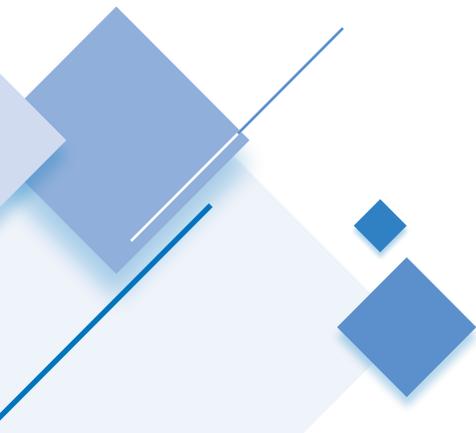
(incorporated in the Cayman Islands with limited liability)

Stock Code : 1746

2019
Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. CHEUNG Yuen Tung (*Chairman*)

Mr. CHEUNG Yuen Chau

Mr. TANG Chi Chiu (resigned on 9 April 2019)

Independent non-executive Directors

Mr. PANG Kam Fai, Dickson

Mr. LAW Chung Lam, Nelson

Mr. LAU Yu Ching

AUDIT COMMITTEE

Mr. LAU Yu Ching (*Chairman*)

Mr. PANG Kam Fai, Dickson

Mr. LAW Chung Lam, Nelson

REMUNERATION COMMITTEE

Mr. PANG Kam Fai, Dickson (*Chairman*)

Mr. LAU Yu Ching

Mr. LAW Chung Lam, Nelson

NOMINATION COMMITTEE

Mr. LAW Chung Lam, Nelson (*Chairman*)

Mr. PANG Kam Fai, Dickson

Mr. LAU Yu Ching

AUTHORISED REPRESENTATIVES

Mr. CHEUNG Yuen Tung

Mr. TANG Chi Chiu (resigned on 9 April 2019)

Ms. LO Wan Man (appointed on 9 April 2019)

COMPANY SECRETARY

Mr. TANG Chi Chiu (resigned on 9 April 2019)

Ms. LO Wan Man (appointed on 9 April 2019)

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Nanyang Commercial Bank, Limited

AUDITOR

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central

Hong Kong

COMPLIANCE ADVISER

Messis Capital Limited

Room 1606, 16th Floor

Tower 2, Admiralty Centre

18 Harcourt Road

Hong Kong

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Cayman Islands

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Hong Kong

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited

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Hong Kong

STOCK CODE

01746

COMPANY'S WEBSITE

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UNAUDITED INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Man Shun Group (Holdings) Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2019 (the “**Reporting Period**”), together with the unaudited comparative figures for corresponding period in 2018 (the “**Corresponding Period**”), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
NOTES		2019	2018
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	41,092	85,913
Cost of services		(30,411)	(56,044)
Gross profit		10,681	29,869
Other income	5	1,162	178
Administrative expenses		(9,321)	(8,981)
Listing expenses		–	(7,214)
Finance costs	6(a)	(96)	(306)
Profit before taxation	6	2,426	13,546
Income tax expense	7	(518)	(3,521)
Profit and total comprehensive income for the period		1,908	10,025
Earnings per share	9	HK cent	HK cent
Basic		0.19	1.00
Diluted		0.19	1.00

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	NOTES	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	10	758	1,012
Right-of-use asset	11	303	–
		1,061	1,012
Current assets			
Trade and other receivables	12	26,943	35,960
Contract assets		25,744	30,835
Pledged bank deposits		1,880	1,880
Cash at bank and in hand		117,756	107,391
		172,323	176,066
Current liabilities			
Trade and other payables	13	7,899	13,007
Contract liabilities		886	918
Bank loans and overdrafts		–	1,143
Obligations under finance leases	14	127	223
Lease liability	15	347	–
Tax payable		1,440	922
		10,699	16,213
Net current assets		161,624	159,853
Total assets less current liabilities		162,685	160,865
Non-current liabilities			
Obligations under finance leases	14	11	75
Deferred tax liabilities		184	184
		195	259
Net assets		162,490	160,606
Capital and reserves			
Share capital	16	10,000	10,000
Reserves		152,490	150,606
Equity attributable to shareholders		162,490	160,606

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Share capital HK\$'000	Merger reserve HK\$'000	Share premium HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 January 2019 (audited)	10,000	2,010	107,850	40,746	160,606
Change in accounting policy (note 3)	-	-	-	(24)	(24)
Restated total equity at 1 January 2019	10,000	2,010	107,850	40,722	160,582
Profit and total comprehensive income for the period	-	-	-	1,908	1,908
At 30 June 2019 (unaudited)	10,000	2,010	107,850	42,630	162,490
At 1 January 2018 (audited)	-*	2,010	2	46,165	48,177
Profit and total comprehensive income for the period	-	-	-	10,025	10,025
Dividend paid	-	-	-	(18,000)	(18,000)
At 30 June 2018 (unaudited)	-*	2,010	2	38,190	40,202

* The balance represents amount less than HK\$1,000.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Operating activities		
Profit before tax	2,426	13,546
Adjustments for:		
Finance costs	96	306
Depreciation of plant and equipment	262	359
Depreciation of right-of-use asset	151	–
Gain on disposal of plant and equipment	–	(24)
Interest income	(848)	(1)
Operating cash flows before movements in working capital	2,087	14,186
Decrease in trade and other receivables	9,017	17,805
Changes in contract assets/liabilities	5,059	(5,151)
(Decrease)/Increase in trade and other payables	(5,108)	1,564
Cash generated from operations	11,055	28,404
Income tax refund	–	19
Net cash from operating activities	11,055	28,423
Investing activities		
Interest received	848	1
Payment for purchase of plant and equipment	(8)	(146)
Proceeds from disposal of plant and equipment	–	50
Net cash from/(used in) investing activities	840	(95)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Financing activities		
Interest on bank loans and overdrafts paid	(11)	(293)
Repayment from a director	–	(3,327)
Repayment of bank loans	(267)	(6,431)
Capital element of finance lease paid	(160)	(162)
Interest element of finance lease paid	(6)	(13)
Repayment of lease liability – principle element	(131)	–
Interest on lease liability paid	(79)	–
Net cash used in financing activities	(654)	(10,226)
Net increase in cash and cash equivalents	11,241	18,102
Cash and cash equivalents at the beginning of period	106,515	(10,814)
Cash and cash equivalents at the end of period	117,756	7,288

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Man Shun Group (Holdings) Limited was incorporated in the Cayman Islands on 11 April 2017 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company (the “**Shares**”) were listed on the Main Board of the Stock Exchange of Hong Kong (the “**Stock Exchange**”) on 11 July 2018.

The Company is an investment holding company. The Group principally engaged in provision of installation of heat, ventilation and air-conditioning system (the “**HVAC Business**”) in Hong Kong.

2. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with the Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 27 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that reflect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars (“**HK\$**”), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) and should be read in conjunction with the 2018 consolidated financial statements.

The interim financial report for the six months ended 30 June 2019 is unaudited but has been reviewed by the Audit Committee of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the amendments have a material impact on the Group's financial positions and performances for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

HKFRS 16, Leases

HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease the liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated, i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Under HKFRS 16, contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases, i.e. these leases are on-balance sheet.

i. Significant accounting policies

The Group recognises right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability. Right-of-use are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term.

The lease liability is initially measured at the present value of unpaid lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently adjusted by the effect of interest rate on and the settlement of the lease liability and the re-measurement arising from any reassessment of the lease liability or lease modifications.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

As a lessee *(Continued)*

ii. Transition

Previously, the Group classified property leases as operating leases under HKAS 17. The lease typically ran for a period of 1 or 2 years.

At transition, for leases classified as operating leases under HKAS 17, lease liability were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, if any.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term; and
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

iii. Impact on financial statements

a. Impacts on transition

On transition to HKFRS 16, the Group recognised additional right-of-use asset and additional lease liability. The impact on transition is summarised below.

	1 January 2019 <hr style="border: 0.5px solid black;"/> HK\$'000
Right-of-use asset presented in the statement of financial position	454
Lease liability presented in the statement of financial position	<hr style="border: 0.5px solid black;"/> 478

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

As a lessee *(Continued)*

iii. Impact on financial statements *(Continued)*

a. Impacts on transition *(Continued)*

When measuring lease liability for lease that was classified as operating leases, the Group discounted lease payments using its incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 3.125%.

The net impact on retained earning on 1 January 2019 was HK\$24,000.

	1 January 2019 HK\$'000
Operating lease commitment as at 31 December 2018 as disclosed in the Group's consolidated financial statements	630
Discounted using the incremental borrowing rate and lease liability recognised as at 1 January 2019	478
b. Impacts for the period	
As a result of the adoption of HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised right-of-use asset of HK\$303,000 and lease liabilities of HK\$347,000 as at 30 June 2019.	

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the Reporting Period, the Group recognised depreciation charges of HK\$151,000 and interest costs of HK\$79,000 from these leases.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received or receivable from the service contracts by the Group to external customers. The Group's operation is solely derived from HVAC Business in Hong Kong during the reporting periods. For the purpose of resources allocation and performance assessment, the chief operating decision maker reviews the overall results and financial position of the Group as a whole prepared based on same accounting policy. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

Revenue is disaggregated as follows:

By timing of revenue recognition:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Products transferred at a point in time	4,100	10,911
Services transferred over time	36,992	75,002
	41,092	85,913

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

By type of services:

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Installation services only	22,681	54,107
Installation services with HVAC systems procurement	18,411	31,806
	41,092	85,913

Geographical information

The Group's operations are solely located in Hong Kong.

5. OTHER INCOME

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Bank interest income	848	1
Repair service income	60	45
Gain on disposal of plant and equipment	–	24
Sundry income	254	108
	1,162	178

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(a) Finance costs		
Interest on bank loans	2	188
Interest on bank overdrafts	9	105
Finance charges on obligations under finance leases	6	13
Interest on lease liability	79	–
	96	306
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	10,873	11,124
Contributions to defined contribution retirement plan	453	432
	11,326	11,556
(c) Other items		
Depreciation on plant and equipment	262	359
Depreciation on right-of-use asset	151	–
Operating lease charges: minimum lease payment	–	210

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the year	518	3,521

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

8. DIVIDENDS

The interim dividends in aggregation of HK\$18,000,000 were declared and paid before issuance of ordinary shares upon capitalisation and initial public offering for the year ended 31 December 2018. The Board does not recommend the payment of interim dividend for the Reporting Period.

9. EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share is calculated based on the profit attributable to equity shareholders of the Company of HK\$1,908,000 (2018: HK\$10,025,000) and the weighted average of 1,000,000,000 shares (2018: 1,000,000,000 shares) for the Reporting Period.

Diluted earnings per share

There were no potential dilutive shares in existence during the six months ended 30 June 2019 and 2018 and therefore, diluted earnings per share are the same as the basic earnings per share.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Computer and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:					
At 1 January 2018	748	121	243	3,100	4,212
Additions	-	-	16	130	146
Disposals	-	-	-	(103)	(103)
At 30 June 2018	748	121	259	3,127	4,255
At 1 January 2019	748	121	259	3,127	4,255
Additions	-	-	8	-	8
At 30 June 2019	748	121	267	3,127	4,263
Accumulated depreciation:					
At 1 January 2018	259	50	90	2,220	2,619
Depreciation	75	11	25	248	359
Written back on disposals	-	-	-	(77)	(77)
At 30 June 2018	334	61	115	2,391	2,901
At 1 January 2019	409	74	137	2,623	3,243
Depreciation	74	12	24	152	262
At 30 June 2019	483	86	161	2,775	3,505
Net book value:					
As at 30 June 2018	414	60	144	736	1,354
As at 31 December 2018	339	47	122	504	1,012
As at 30 June 2019	265	35	106	352	758

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. RIGHT-OF-USE ASSET

	HK\$'000
At 1 January 2019	454
Depreciation	(151)
At 30 June 2019	303

12. TRADE AND OTHER RECEIVABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade receivables	10,774	20,757
Deposits, prepayment and other receivables	678	511
Retention receivables	15,491	14,692
	26,943	35,960

At 30 June 2019 and 31 December 2018, the amounts expected to be recovered after more than one year are HK\$14,837,000 and HK\$6,241,000 respectively. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLES *(Continued)*

Ageing analysis

At 30 June 2019 and 31 December 2018, the ageing analysis of trade receivables, based on the date of payment certificate, is as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 1 month	8,910	20,519
1 to 3 months	1,609	238
Over 3 months	255	–
	10,774	20,757

Trade receivables are due within 30 to 45 days from the date of payment certificate. No loss allowance was recognised for the Group's trade and other receivables as at 30 June 2019 and 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. TRADE AND OTHER PAYABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade payables	5,452	4,178
Accrued subcontracting costs	282	3,914
Other payables and accruals	2,165	4,915
	7,899	13,007

At 30 June 2019 and 31 December 2018, the ageing analysis of trade payables, based on the invoice date, is as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 1 month	2,608	1,842
1 to 2 months	1,300	771
2 to 3 months	102	219
Over 3 months	1,442	1,346
	5,452	4,178

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. OBLIGATIONS UNDER FINANCE LEASES

At 30 June 2019 and 31 December 2018, the Group had obligations under finance leases repayable as follows:

	30 June 2019		31 December 2018	
	Present value of the minimum lease payments HK\$'000 (Unaudited)	Total minimum lease payments HK\$'000 (Unaudited)	Present value of the minimum lease payments HK\$'000 (Audited)	Total minimum lease payments HK\$'000 (Audited)
Within 1 year	127	131	223	231
After 1 year but within 2 years	11	11	75	75
After 2 years but within 5 years	-	-	-	-
	138	142	75	75
Less: Total future interest expenses	138	142	298	306
	-	(4)	-	(8)
Present value of lease obligations	138	138	298	298

15. LEASE LIABILITY

	HK\$'000
At 1 January 2019	478
Repayments	(131)
At 30 June 2019	347

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

16. SHARE CAPITAL

The share capital of the Company as at 30 June 2019 and 31 December 2018 is as follows:

	Notes	Number of shares	HK\$'000
Authorised ordinary shares of \$0.01 each:			
At 11 April 2017 (date of incorporation), 31 December 2017 and 1 January 2018	(i)	38,000,000	380
Increase in authorised share capital upon a group reorganisation completed on 16 June 2017	(iii)	4,962,000,000	49,620
At 31 December 2018 and 30 June 2019		5,000,000,000	50,000
Ordinary shares, issued and fully paid:			
At 11 April 2017 (date of incorporation)	(i)	1	—*
Issue of ordinary shares	(ii)	199	—*
At 31 December 2017 and 1 January 2018		200	—*
Issue of ordinary shares upon initial public offering	(iv)	250,000,000	2,500
Issue of ordinary shares upon capitalisation	(v)	749,999,800	7,500
At 31 December 2018 and 30 June 2019		1,000,000,000	10,000

* The balance represents amount less than HK\$1,000.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

16. SHARE CAPITAL (Continued)

Notes:

- (i) As at the date of incorporation, the Company had an initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with par value of HK\$0.01 each. On 11 April 2017, one nil-paid share was allotted and issued.
- (ii) On 16 June 2017, the Company issued and allotted an aggregate of 199 ordinary shares, credited as fully paid at par and credited the one nil-paid share issued on 11 April 2017 as fully paid.
- (iii) On 8 June 2018, pursuant to the written resolution of the sole shareholder of the Company, the authorised share capital of the Company increased from HK\$380,000 divided into 38,000,000 ordinary shares of par value of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 ordinary shares of par value \$0.01 each, by the creation of an additional 4,962,000,000 shares.
- (iv) On 11 July 2018, 250,000,000 ordinary shares of HK\$0.01 each of the Company were issued at a price of HK\$0.52 upon initial public offering. On the same date, the Company's ordinary shares were listed on the Stock Exchange. The proceeds of HK\$2,500,000 representing the par value of the ordinary shares of the Company were credited to the Company's share capital. The remaining proceeds of HK\$127,500,000, before issuing expenses approximately HK\$12,152,000, were credited to share premium account.
- (v) On 11 July 2018, a total of 749,999,800 ordinary shares of HK\$0.01 each was allotted and issued, credited as fully paid at par, to the sole shareholder of the Company, Prime Pinnacle Limited, by way of capitalisation of a sum of HK\$7,499,998 standing to the credit of the share premium account of the Company.

17. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Rental expenses paid to a related company	210	210

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

18. CONTINGENT LIABILITIES

At 30 June 2019, contingent liabilities authorised but not provided for in the consolidated financial statements was the performance bonds given to a customer for due and proper performance of projects undertaken by the Group's subsidiaries of HK\$1,880,000 (at 31 December 2018: HK\$1,880,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an established HVAC E&M engineering services provider in Hong Kong with a long business history dating back to 1996. The Group generally focuses on serving new residential property developments projects as a first-tier or second-tier subcontractor in Hong Kong. The HVAC E&M engineering services typically involve installation of HVAC systems, which refers to heat, ventilation and air-conditioning systems.

The Group is registered as a Registered Electrical Contractor under EMSD, a minor works contractor (company) of Type A (Classes II and III), Type D (Classes II and III) and Type E (Classes II and III) under the Building Authority and a registered subcontractor under the Subcontractor Registration Scheme operated by the Construction Industry Council.

In order to strengthen the market position as a prime HVAC E&M engineering services provider and become the preferred choice of first-tier HVAC E&M engineering subcontractor for property developers in Hong Kong, the Group continues to strengthen the financial management and licensing qualifications with a view to securing the positioning in the property development value chain and acquiring new business opportunities directly with property developers and/or their designated main contractors.

For the Reporting Period, the Group recorded a decrease in net profit after tax by more than 80% as compared with that for the Corresponding Period which mainly due to the slowdown in the property market in Hong Kong and the general negative atmosphere surrounding the macroeconomic and geopolitical uncertainties in the recent times.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

By type of services:

	Six months ended 30 June							
	2019				2018			
	Revenue HK\$'000 (Unaudited)	%	Gross profit HK\$'000 (Unaudited)	Gross profit margin %	Revenue HK\$'000 (Unaudited)	%	Gross profit HK\$'000 (Unaudited)	Gross profit margin %
Installation services only	22,681	55%	5,874	26%	54,107	63%	19,969	37%
Installation services with HVAC systems procurement	18,411	45%	4,807	26%	31,806	37%	9,900	31%
	41,092	100%	10,681	26%	85,913	100%	29,869	35%

By timing of revenue recognition:

	Six months ended 30 June			
	2019		2018	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%
Services transferred over time	36,992	90%	75,002	87%
Products transferred at a point in time	4,100	10%	10,911	13%
	41,092	100%	85,913	100%

During the Reporting Period, the Group's revenue decreased by approximately HK\$44,821,000 or 52.2% to approximately HK\$41,092,000 (Corresponding Period: approximately HK\$85,913,000).

MANAGEMENT DISCUSSION AND ANALYSIS

The decrease was primarily attributable to protracted delay and slowdown in construction progress of a substantial project situated nearby the Tai Wai mass transit station and the slowdown in commencement and/or construction progress of certain of the Group's other projects which causing a significant delay in revenue recognition.

Cost of services

	Six months ended 30 June			
	2019		2018	
	HK\$'000 (Unaudited)	%	HK\$'000 (Unaudited)	%
Subcontracting fees	11,966	39%	25,660	46%
Materials and consumables	8,453	28%	23,228	41%
Direct labour	8,285	27%	5,622	10%
Others	1,707	6%	1,534	3%
Total	30,411	100%	56,044	100%

The Group's cost of services mainly represented cost of HVAC systems and other ancillary consumables such as pipes and fittings, and subcontracting charges for completing on-site works. The cost of services decreased by approximately HK\$25,633,000 or 45.7% to approximately HK\$30,411,000 for the Reporting Period, as compared to approximately HK\$56,044,000 for the Corresponding Period. The decrease was primarily attributable to the delay and slowdown of certain projects during the Reporting Period, less cost of services were incurred accordingly.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK\$19,188,000 or 64.2% from approximately HK\$29,869,000 for the Corresponding Period to approximately HK\$10,681,000 for the Reporting Period.

The Group's gross profit margin decreased from approximately 35% to 26% as compared with that in the Corresponding Period. The decrease in the gross profit margin was mainly due to substantial amount of revenue were recognised from projects with lower profit margin and that projects with higher profit margin are pending to be fully commenced for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

Administrative expenses mainly comprised of staff costs, meals and entertainment expenses, depreciation expenses, transportation expenses, legal & professional fee and others. Administrative expenses increased from approximately HK\$8,981,000 for the Corresponding Period to approximately HK\$9,321,000 for the Reporting Period. The increase of administrative expenses of the Group was mainly due to the increase in fees for professional advisors.

Income tax expenses

For the Reporting Period and Corresponding Period, the income tax expenses were approximately HK\$518,000 and HK\$3,521,000, respectively, and the tax rate for both the Reporting Period and Corresponding Period was 16.5%.

Profit and total comprehensive income attributable to equity shareholders of the Company

For the Reporting Period and Corresponding Period, the Group's profit and total comprehensive income attributable to equity shareholders of the Company was approximately HK\$1,908,000 and HK\$10,025,000, respectively. The decrease in profit and total comprehensive income attributable to equity shareholders of the Company was mainly due to the decrease in revenue.

Interim dividend

The Board does not recommend the payment of interim dividend for the Reporting Period (Corresponding Period: HK\$18,000,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and other receivables

Trade receivables decreased by 48.1% from approximately HK\$20,757,000 as at 31 December 2018 to approximately HK\$10,774,000 as at 30 June 2019. The decrease in trade receivable was in line with the decrease in revenue.

Retention receivables increased by HK\$799,000 from approximately HK\$14,692,000 as at 31 December 2018 to approximately HK\$15,491,000 as at 30 June 2019. The increase was because most of the retention receivables had not been settled in accordance with the projects' construction schedules.

Other receivables increased by HK\$167,000 from approximately HK\$511,000 as at 31 December 2018 to approximately HK\$678,000 as at 30 June 2019. The increase was mainly due to the prepayment in annual listing fee of HK\$86,000 and the increase in interest receivables for time deposits.

Trade and other payables

Trade payables increased by 30.5% from approximately HK\$4,178,000 as at 31 December 2018 to approximately HK\$5,452,000 as at 30 June 2019. The increase was mainly due to the purchase of HVAC systems for projects installation near to the period ended.

Other payables and accruals decreased by HK\$2,750,000 from approximately HK\$4,915,000 as at 31 December 2018 to approximately HK\$2,165,000 as at 30 June 2019. The amount decreased mainly represented the accrual of audit fee as at 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

Looking forward, the Group will further expand the service capabilities to capture business opportunities and provide customers with comprehensive HVAC E&M engineering services with a prudent financial management strategy, pursuing a long-term healthy business growth and stable return to the shareholders.

In order to expand the professional talent pool, the Group will continue to strengthen its human resources and focus on the training of talents to build a team with outstanding members and will employ chartered engineers with relevant experience in the specialty of ventilation works, assistant engineers, foreman, draftsman and quantity surveyor (depending on the pace of the business growth) to fulfil the application requirements for, and to acquire the qualification as registered specialist contractor in the ventilation works category under the Buildings Department.

Despite the adverse commercial environment and the overall geopolitical uncertainties in the recent times, the Group will constantly show perseverance in its development and its ability to obtain new projects. As a result of the endure hard work by the management, three new projects of total contract sum of approximately HK\$79.7 million were awarded to the Group during the Reporting Period. In addition, the Group will continue to enhance its budget management, upgrade its ability in plan execution and budget control in order to further improve its management standard and secure stable and sustainable development of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group's working capital was financed by internal resources. The quick ratio of the Group, which is calculated based on the current assets divided by current liabilities, was approximately 16.1 times (31 December 2018: approximately 10.9 times). The Group generally financed its daily operations from generated cash flows internally. The Group financed its business expansion and new business opportunities from the net proceeds obtained from the shares of the Company listed on the Main Board of the Stock Exchange on 11 July 2018. The remaining unused net proceeds of HK\$89,136,000 as at 30 June 2019 were placed as interest bearing deposits with licensed banks in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POLICIES

The Group is exposed to liquidity risk in respect of settlement of its trade payables and financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

GEARING RATIO

The Group's gearing ratio, which is calculated based on the total debt divided by total equity (defined as the sum of bank borrowings and obligation under finance leases as at the respective period/year end divided by total equity as at the respective corresponding periods) was approximately 0.08% as at 30 June 2019 (As at 31 December 2018: 0.9%).

CAPITAL EXPENDITURE

During the Reporting Period, the Group invested approximately HK\$8,000 in computer and office equipment.

CAPITAL COMMITMENTS

At 30 June 2019, the Group had no material capital commitments.

CONTINGENT LIABILITIES

Save as disclosed in note 18 to the condensed consolidated interim financial statements, the Group had no contingent liabilities as at 30 June 2019.

SUBSEQUENT EVENT

There is no material subsequent event undertaken by the Company or by the Group after 30 June 2019 and up to the date of this report.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2019, the Group's bank borrowings and obligations under finance leases were secured by the corporate guarantee by the Company and the bank deposit in the amount of HK\$1,880,000 was pledged.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the Reporting Period, the Group did not have any significant investment, material acquisition nor disposal of subsidiaries and affiliated companies.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK MANAGEMENT

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars. The Group is not significantly exposed to foreign currency risk arising from monetary assets and liabilities that are denominated in currencies other than the functional currencies of the respective group entities.

The Group currently does not have a foreign currency hedging policy as the foreign currency risk is considered to be insignificant. However, the management will continue to closely monitor the Group's foreign exchange risk exposure and will consider hedging significant foreign exchange exposure when necessary.

INFORMATION ON EMPLOYEES

As at 30 June 2019, the Group employed 68 employees (31 December 2018: 79 employees) with total staff cost of approximately HK\$11,326,000 incurred for the Reporting Period (Corresponding Period: approximately HK\$11,556,000). The Group's remuneration packages are generally structured with reference to market terms and individual merits.

DEED OF NON-COMPETITION

The controlling shareholders of the Company, namely Mr. Cheung Yuen Tung, Mr. Cheung Yuen Chau and Prime Pinnacle Limited (collectively referred to as the "**Controlling Shareholders**") entered into a deed of non-competition dated 8 June 2018 ("**Deed of Non-competition**") in favour of the Company (for itself and as trustee for each of its subsidiaries). For details of the Deed of Non-competition, please refer to the section headed "Relationship with our Controlling Shareholders – Deed of Non-competition" in the Prospectus. Each of the Controlling Shareholders has confirmed that none of them is engaged in or interested in any business (other than the Group) which, directly or indirectly, competes or may compete with the business of the Group. The independent non-executive Directors have also reviewed the status of compliance and written confirmation from each of the Controlling Shareholders, and confirmed that all the undertakings under the Deed of Non-competition have been complied with by each of the Controlling Shareholders since the Listing Date and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPETING INTEREST

During the Reporting Period, none of the Directors or the Controlling Shareholders of the Company or their close associates is interested in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

INTEREST OF THE COMPLIANCE ADVISER

As notified by Messis Capital Limited (“**Messis**”), the Company’s compliance adviser, save for the compliance agreement entered into between the Company and Messis in connection with the Listing, neither of Messis or its directors, employees or close associates had any interest in the Group as at 30 June 2019 and up to the date of this report, which is required to be notified to the Company.

USE OF PROCEEDS

The Company successfully listed on the Stock Exchange on 11 July 2018 and 250,000,000 ordinary shares were issued at HK\$0.52 per share by way of share offer (the “**Share Offer**”). Net proceeds from the Share Offer was approximately HK\$102.4 million (after deducting the underwriting fees and other related expenses).

The net proceeds will be used for the intended purposes as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus. Set out below is the actual utilisation of net proceeds up to the date of this report:

	Net proceeds HK\$'000	Utilised HK\$'000	Unutilised HK\$'000
Procurement of HVAC systems	87,654	1,246	86,408
Taking out surety bonds	4,608	1,880	2,728
General working capital	10,138	10,138	–
	102,400	13,264	89,136

OTHER INFORMATION

DISCLOSURE OF INTEREST

Directors' and chief executive's interests and short positions in Shares and underlying Shares and debentures of the Company and its associated corporations

As at 30 June 2019, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") (Cap. 571 of the Laws of Hong Kong)) which were required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules, are set out below:

(i) Long positions in the Share

Name of Director	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Cheung Yuen Tung ("Tony Cheung") (note)	Interest in controlled corporation	750,000,000	75%
Mr. Cheung Yuen Chau ("Gary Cheung") (note)	Interest in controlled corporation	750,000,000	75%

Note: Prime Pinnacle Limited ("**Prime Pinnacle**") is beneficially owned as to 51% by Mr. Tony Cheung and 49% by Mr. Gary Cheung. On 12 March 2018, Mr. Tony Cheung and Mr. Gary Cheung entered into the concert party deed to acknowledge and confirm, among other things, that they are parties acting in concert and are deemed to be interested in the Shares held by Prime Pinnacle.

OTHER INFORMATION

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of share(s) held	Approximate percentage of shareholding
Mr. Tony Cheung <i>(note)</i>	Prime Pinnacle	Beneficial owner	51	51%
Mr. Gary Cheung <i>(note)</i>	Prime Pinnacle	Beneficial owner	49	49%

Note: Prime Pinnacle is the direct shareholder of the Company and is an associated corporation within the meaning of Part XV of the SFO.

Substantial shareholders' interests and short positions in Shares and underlying shares of the Company

So far as is known to any Director or chief executive of the Company, as at 30 June 2019, the following persons (other than a Director or a chief executive of the Company) had, or were taken or deemed to have interests or short positions in the Shares or underlying shares of the Company which are required to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding
Prime Pinnacle <i>(note 1)</i>	Beneficial owner	750,000,000	75%
Ms. Chan Ho Fung <i>(note 2)</i>	Interest of spouse	750,000,000	75%
Ms. Cheng Phyllis Woon Kink <i>(note 3)</i>	Interest of spouse	750,000,000	75%

OTHER INFORMATION

Notes:

- (1) Prime Pinnacle is beneficially owned as to 51% by Mr. Tony Cheung and 49% by Mr. Gary Cheung. On 12 March 2018, Mr. Tony Cheung and Mr. Gary Cheung entered into the concert party deed to acknowledge and confirm, among other things, that they are parties acting in concert and are deemed to be interested in the Shares held by Prime Pinnacle.
- (2) Ms. Chan Ho Fung is the spouse of Mr. Tony Cheung. Accordingly, Ms. Chan Ho Fung is deemed or taken to be interested in the Shares in which Mr. Tony Cheung is interested under the SFO.
- (3) Ms. Cheng Phyllis Woon Kink is the spouse of Mr. Gary Cheung. Accordingly, Ms. Cheng Phyllis Woon Kink is deemed or taken to be interested in the Shares in which Mr. Gary Cheung is interested under the SFO.

Save as disclosed above, the Company had not been notified by any other persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register kept by the Company pursuant to section 336 of the SFO as at 30 June 2019.

OTHER INFORMATION

SHARE OPTION SCHEME

Pursuant to a resolution passed by all the shareholders on 8 June 2018, the Company has conditionally adopted the share option scheme (the **“Share Option Scheme”**) for the purpose of providing incentives or rewards to the eligible participants for their contribution to the Group and enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. The Board is entitled at any time and from time to time grant options pursuant to the Share Option Scheme to the Directors (including executive Directors, non-executive Directors and independent non-executive Directors), the directors of the Company’s subsidiaries and employees of the Group and any other persons (including consultants or advisers) whom the Board considers have contributed or will contribute to the Group. The Directors were authorised to grant options to subscribe for shares of the Company and to allot, issue and deal with the shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme. The maximum number of shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not, in aggregate, exceed 10% of the total number of shares in issue immediately following completion of the Global Offering (as defined in the Prospectus dated 28 June 2018), being 1,000,000,000 shares, excluding any shares that may be issued under the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company), unless otherwise approved by the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time.

Unless otherwise approved by the shareholders of the Company in general meeting, the number of shares that may be granted to an eligible participant under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 1% of the shares in issue of the Company within any 12-month period. Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors. Unless otherwise approved by the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules, the number of shares that may be granted to a substantial shareholder or any independent non-executive Director or their respective associates under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 0.1% of the shares in issue, having an aggregate value in excess of HK\$5 million, within any 12-month period.

OTHER INFORMATION

The Board may, at its discretion, determine the minimum period for which the option has to be held before it can be exercised, and the period during which an option may be exercised. However, no options shall be exercised ten years after they have been granted. The subscription price of a share in respect of a particular option shall be not less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's on the daily quotation sheet on the date of the grant of the option, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the grant of the option; and (iii) the nominal value of a share. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

From the date that the Share Option Scheme became effective and unconditional and up to the date of this interim report, no share options were granted under the Share Option Scheme.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has been adamant in upholding high standards of corporate governance to maximize the operational efficiency, corporate values and shareholder returns. The Company adopted sound governance and disclosure practices and continued to upgrade internal control system, strengthen risk control management and reinforce the corporate governance structure.

The Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"), for the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS ("MODEL CODE")

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all Directors, they confirmed that they had complied with the required standard set out in the Model Code throughout the Reporting Period.

OTHER INFORMATION

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL RESULTS

The Audit Committee of the Company is responsible for assisting the Board in safeguarding the Group's assets by providing an independent review of the effectiveness of the financial reporting process and the internal controls and risk management systems of the Group. It also performs other duties as assigned by the Board.

The Audit Committee has discussed with the management of the Group and reviewed the unaudited interim financial results of the Group for the Reporting Period, including the accounting principles and standards adopted by the Group, and discussed financial related matters. The interim financial report for the Reporting Period is unaudited but has been reviewed by the Audit Committee of the Company.

By order of the Board
Man Shun Group (Holdings) Limited
Cheung Yuen Tung
Chairman and Executive Director

Hong Kong, 27 August 2019