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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- The Group recorded revenue of approximately HK\$163,629,000 for the year ended 31 December 2018 (2017: approximately HK\$125,846,000).
- Profit for the year attributable to equity shareholders of the Company for the year ended 31 December 2018 amounted to approximately HK\$12,581,000 (2017: approximately HK\$23,404,000).
- Basic and diluted earnings per share for the year ended 31 December 2018 were HK\$1.45 cents (2017: HK\$3.12 cents).
- The Board does not recommend the payment of final dividend for the year ended 31 December 2018.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the “**Board**”) of directors (the “**Directors**”) of Man Shun Group (Holdings) Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017. Such information should be read in conjunction with the prospectus of the Company dated 28 June 2018 (the “**Prospectus**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>NOTE</i>	Year ended 31 December	
		2018	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	163,629	125,846
Cost of services		<u>(110,529)</u>	<u>(74,120)</u>
Gross profit		53,100	51,726
Other income	5	2,411	826
Administrative expenses		(20,982)	(19,624)
Listing expenses		(15,772)	(3,872)
Finance costs	6(a)	<u>(455)</u>	<u>(322)</u>
Profit before taxation	6	18,302	28,734
Income tax expense	7	<u>(5,721)</u>	<u>(5,330)</u>
Profit and total comprehensive income for the year		<u>12,581</u>	<u>23,404</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic and diluted	9	<u>1.45</u>	<u>3.12</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2018	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>NOTE</i>		
Non-current assets			
Plant and equipment		<u>1,012</u>	<u>1,592</u>
Current assets			
Trade and other receivables	10	35,960	40,825
Contract assets	11	30,835	29,194
Amounts due from directors		–	14,673
Pledged bank deposits		1,880	–
Cash at bank and in hand		<u>107,391</u>	<u>1,838</u>
		<u>176,066</u>	<u>86,530</u>
Current liabilities			
Trade and other payables	12	13,007	11,070
Contract liabilities	11	918	1,707
Bank loans and overdrafts	13	1,143	25,581
Obligations under finance leases		223	327
Tax payable		<u>922</u>	<u>724</u>
		<u>16,213</u>	<u>39,409</u>
Net current assets		<u>159,853</u>	<u>47,121</u>
Total assets less current liabilities		<u>160,865</u>	<u>48,713</u>
Non-current liabilities			
Obligations under finance leases		75	298
Deferred tax liabilities		<u>184</u>	<u>238</u>
		<u>259</u>	<u>536</u>
Net assets		<u><u>160,606</u></u>	<u><u>48,177</u></u>
Capital and reserves			
Share capital	14	10,000	–*
Reserves		<u>150,606</u>	<u>48,177</u>
Total equity		<u><u>160,606</u></u>	<u><u>48,177</u></u>

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

NOTES TO THE ANNOUNCEMENT

1. GENERAL INFORMATION

Man Shun Group (Holdings) Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the provision of installation of heat, ventilation and air-conditioning system (the “**HVAC Business**”) in Hong Kong. The Company 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 Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 July 2018 (the “**Listing**”).

Pursuant to a group reorganisation completed on 16 June 2017 (the “**Reorganisation**”), the Company became the holding company of the companies now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 28 June 2018 (the “**Prospectus**”).

The consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2017 include the results of operations of the Company and its subsidiaries as if the Reorganisation was completed at 1 January 2017. The consolidated statement of financial position of the Group as at 31 December 2017 has been prepared to present the financial position of the Company and its subsidiaries as if the entities now comprising the Group had been consolidated as at that date.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the Group’s statutory financial statements for the year ended 31 December 2018, but is derived from those financial statements.

The Group’s financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (“**HKCO**”). The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The measurement basis used in the preparation of the Group’s consolidated financial statements is the historical cost basis.

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group’s auditor, KPMG, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with assurance standards issued by the HKICPA and consequently no assurance has been expressed by KPMG on the preliminary announcement.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following development is relevant to the Group's financial statements:

HKFRS 9 Financial Instruments

The adoption of the above development has no significant impact on the Group's result and financial position for the current and prior periods.

Except for the early adoption of HKFRS 15, *Revenue from contracts with customers*, since the year ended 31 December 2017, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 provision of installation of heat, ventilation, and air-conditioning system services ("HVAC Business") in Hong Kong during the years ended 31 December 2018 and 2017. 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.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by timing of revenue recognition and type of service are as follows:

Disaggregated by timing of revenue recognition:

	Year ended 31 December	
	2018 HK\$'000	2017 HK\$'000
Products transferred at a point in time	12,903	14,809
Services transferred over time	<u>150,726</u>	<u>111,037</u>
	<u>163,629</u>	<u>125,846</u>

Disaggregated by type of service:

	Year ended 31 December	
	2018 HK\$'000	2017 HK\$'000
Installation services only	122,917	87,216
Installation services with HVAC systems procurements	<u>40,712</u>	<u>38,630</u>
	<u>163,629</u>	<u>125,846</u>

(b) **Transaction price allocated to the remaining performance obligations**

The following tables include revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at 31 December 2018 and 2017.

	2018 <i>HK\$'000</i>
Remaining performance obligations expected to be satisfied during the year ending:	
31 December 2019	122,793
31 December 2020	69,092
After 31 December 2020	38,687
	<hr/>
	230,572
	<hr/> <hr/>
	2017 <i>HK\$'000</i>
Remaining performance obligations expected to be satisfied during the year ending:	
31 December 2018	151,342
31 December 2019	33,354
After 31 December 2019	4,394
	<hr/>
	189,090
	<hr/> <hr/>

(c) **Geographical information**

The Company is an investment holding company and the principal place of the Group's operation is in Hong Kong. For the purpose of segment information disclosures under HKFRS 8, the Group regarded Hong Kong as its place of domicile.

No geographical information is presented as the Group is principally engaged in HVAC business in Hong Kong.

(d) **Information about major customers**

The Group's customer base includes four (2017: five) customers with whom transactions have exceeded 10% of the Group's revenue. In 2018, revenue from HVAC Business with these customers amounted to HK\$154,382,000 (2017: HK\$125,846,000).

5. OTHER INCOME

	Year ended 31 December	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	1,025	5
Repair and other service income	925	806
Gain on disposal of plant and equipment	25	–
Sundry income	436	15
	<hr/>	<hr/>
	2,411	826
	<hr/> <hr/>	<hr/> <hr/>

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Year ended 31 December	
	2018 HK\$'000	2017 HK\$'000
(a) Finance costs		
Interest on bank loans	274	86
Interest on bank overdrafts	159	179
Finance charges on obligations under finance leases	22	57
	<u>455</u>	<u>322</u>
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	25,517	27,061
Contributions to defined contribution retirement plan	855	1,175
	<u>26,372</u>	<u>28,236</u>
(c) Other items		
Depreciation	701	795
Operating lease charges: minimum lease payment	420	420
Auditors' remuneration	1,423	180
Loss on disposal of plant and equipment	–	125
	<u>–</u>	<u>125</u>

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2018 HK\$'000	2017 HK\$'000
Current tax – Hong Kong Profits Tax:		
Provision for the year	5,663	4,755
Under/(over)-provision in respect of prior years	112	(79)
	<u>5,775</u>	<u>4,676</u>
Deferred tax		
Origination and reversal of temporary differences	(54)	654
	<u>5,721</u>	<u>5,330</u>

The provision for Hong Kong Profits Tax for 2018 is calculated at 8.25% (2017: 16.5%) of the first HK\$2,000,000 and 16.5% (2017:16.5%) of the remaining estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2017–18 subject to a maximum reduction of HK\$30,000 for each business (2017: a maximum reduction of HK\$20,000 was granted for the year of assessment 2016–17 and was taken into account in calculating the provision for 2017).

8. DIVIDENDS

During the year ended 31 December 2018, the Company declared and paid an interim dividend of HK\$90,000 per share before the issuance of ordinary shares upon capitalisation and initial public offering (2017: HK\$Nil). The Board does not recommend the payment of final dividend for the year ended 31 December 2018 (2017: HK\$Nil).

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to equity shareholders of the Company of HK\$12,581,000 (2017: HK\$23,404,000) and the weighted average of 868,493,151 (2017: 750,000,000) ordinary shares in issue during the year. The weighted average number of ordinary shares in issue during the years ended 31 December 2018 and 2017 is calculated based on the assumption that 750,000,000 shares were in issue at the beginning of the years, taking into consideration the effect of the capitalisation issue as detailed in Notes 1 and 14.

	Number of shares	
	2018	2017
Weighted average number of ordinary shares		
Ordinary shares in issue immediately before listing of the Company's shares	750,000,000	750,000,000
Effects of share issued under initial public offering	118,493,151	–
	<u>868,493,151</u>	<u>750,000,000</u>
Weighted average number of ordinary shares in issue	<u>868,493,151</u>	<u>750,000,000</u>

(b) Diluted earnings per share

The diluted earnings per share is the same as the basic earnings per share as the Group did not have dilutive potential ordinary shares in issue for both years.

10. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2018	2017
	HK\$'000	HK\$'000
Trade receivables	20,757	27,359
Deposits, prepayment and other receivables	511	1,402
Retention receivables	14,692	12,064
	<u>35,960</u>	<u>40,825</u>

As at 31 December 2018, the amounts expected to be recovered after more than one year is HK\$6,241,000 (2017: HK\$4,343,000). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis

At the end of each reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the date of payment certificate and net of loss allowance, is as follows:

	As at 31 December	
	2018	2017
	HK\$'000	HK\$'000
Within 1 month	20,519	26,314
1 to 3 months	238	1,029
Over 3 months	–	16
	<u>20,757</u>	<u>27,359</u>

Trade receivables are due within 30 to 45 days from the date of payment certificate.

11. CONTRACT ASSETS AND LIABILITIES

(a) Contract assets

	As at 31 December	
	2018	2017
	HK\$'000	HK\$'000
Arising from performance under installation contracts	<u>30,835</u>	<u>29,194</u>
Receivables from contracts with customers within the scope of HKFRS 15, which are included in “Trade and other receivables”	<u>35,449</u>	<u>39,423</u>

(b) Contract liabilities

	As at 31 December	
	2018	2017
	HK\$'000	HK\$'000
Installation contracts		
– Billing in advance of performance	<u>918</u>	<u>1,707</u>

Movements in contract liabilities

	2018 HK\$'000
Balance at 1 January	1,707
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(1,672)
Increase in contract liabilities as a result of billing in advance of installation activities	<u>883</u>
Balance at 31 December	<u><u>918</u></u>

No billings in advance of performance and instalments received expected to be recognised as income after more than one year.

12. TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	HK\$'000	HK\$'000
Trade payables	4,178	6,017
Accrued subcontracting costs	3,914	541
Other payables and accruals	<u>4,915</u>	<u>4,512</u>
	<u><u>13,007</u></u>	<u><u>11,070</u></u>

All of the trade and other payables are expected to be settled within one year. The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 December	
	2018	2017
	HK\$'000	HK\$'000
Within 1 month	1,842	3,280
1 to 2 months	771	2,398
2 to 3 months	219	339
Over 3 months	<u>1,346</u>	<u>–</u>
	<u><u>4,178</u></u>	<u><u>6,017</u></u>

13. BANK LOANS AND OVERDRAFTS

As at 31 December 2018, the secured bank loans and overdrafts were as follows:

	As at 31 December	
	2018	2017
	HK\$'000	HK\$'000
Secured bank overdrafts	876	12,652
Secured bank loans	267	12,929
	1,143	25,581

All of the bank loans and overdrafts are expected to be settled within one year or on demand.

Notwithstanding the specified repayment schedules as stated in the facilities letters (“**specific repayment terms**”) which allow the loans to be repaid over a period of more than one year, these banking facilities granted to the Group include a clause that gives the banks the unconditional rights to call the bank loans at any time (“**repayment on demand clause**”). The bank loans subject to the repayment on demand clause amounted to HK\$267,000 as at 31 December 2018 were classified as current liabilities in the consolidated statement of financial position (2017: HK\$12,929,000).

14. SHARE CAPITAL

The share capital of the Company as at 31 December 2018 and 2017 is as follows:

	<i>Note</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised ordinary shares of HK\$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 Reorganisation	(iii)	4,962,000,000	49,620
At 31 December 2018		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		1,000,000,000	10,000

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

Note:

- (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 HK\$0.01 each, by the creation of 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, 749,999,800 ordinary shares of HK\$0.01 each of the Company were 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.

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 focus 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, securing the positioning in the property development value chain and acquiring new business opportunities directly with property developers and/or their designated main contractors.

On 11 July 2018, the shares of the Company (the “**Shares**”) were successfully listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). With a widening financing platform, the Group can have more financing channels to raise funds to fulfil capital needs. The Listing also enhances the Group’s market position and further strengthens the Group’s reputation in the industry, which in turn helps maintaining the existing business relationship with the network of suppliers and customers and exploring potential business opportunities with new suppliers and customers.

FINANCIAL REVIEW

Revenue

By type of services:

	Year ended 31 December							
	2018				2017			
	Revenue		Gross profit		Revenue		Gross profit	
<i>HK\$'000</i>	%	<i>HK\$'000</i>		<i>HK\$'000</i>	%	<i>HK\$'000</i>		
Installation services only	122,917	75	39,990	33%	87,216	69	42,749	49%
Installation services with HVAC systems procurements	40,712	25	13,110	32%	38,630	31	8,977	23%
	<u>163,629</u>	<u>100</u>	<u>53,100</u>	<u>32%</u>	<u>125,846</u>	<u>100</u>	<u>51,726</u>	<u>41%</u>

By timing of revenue recognition:

	Year ended 31 December			
	2018		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Services transferred over time	150,726	92	111,037	88
Products transferred at a point in time	12,903	8	14,809	12
	<u>163,629</u>	<u>100</u>	<u>125,846</u>	<u>100</u>

During the year ended 31 December 2018, the Group's revenue increased by approximately HK\$37,783,000 or 30.0% to approximately HK\$163,629,000.

The increase was primarily attributable to a number of large-scale projects with a substantial portion of contract revenue recorded during the year following the respective project execution progress.

Cost of services

	Year ended 31 December			
	2018		2017	
	HK\$'000	%	HK\$'000	%
Subcontracting fees	55,707	50	29,276	39
Materials and consumables	37,384	34	27,837	38
Direct labour	12,859	12	13,945	19
Others	4,579	4	3,062	4
Total	<u>110,529</u>	<u>100</u>	<u>74,120</u>	<u>100</u>

The Group's cost of services mainly represented the 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 increased by approximately HK\$36,409,000 or 49.1% to approximately HK\$110,529,000 for the year ended 31 December 2018, as compared to approximately HK\$74,120,000 for the year ended 31 December 2017. The increase was primarily attributable to a number of large-scale projects with a substantial portion of contract revenue undertaking during the year ended 31 December 2018 which demanded additional subcontracting service and usage of material and consumables.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$1,374,000 or 2.7% from approximately HK\$51,726,000 for the year ended 31 December 2017 to approximately HK\$53,100,000 for the year ended 31 December 2018. The Group's gross profit margin decreased from approximately 41.1% to approximately 32.5% over the two years ended 31 December 2018 and 2017. The decrease in the gross profit margin was mainly due to the Group recognised a higher percentage contract revenue for a number of lower margin projects in 2018. The lower gross profit margin of those projects was due to the relative reliance on subcontractor which lower the profitability of the projects. The total subcontracting fee increased from approximately HK\$29,276,000 for the year ended 31 December 2017 to approximately HK\$55,707,000 for the year ended 31 December 2018, representing an increase of approximately HK\$26,431,000 or 90.3%.

Other income

The other income mainly consisted of bank interest income and other services income, which principally included repairing services and gains on indent sales of HVAC systems recognised for the year ended 31 December 2018.

Administrative expenses

Administrative expenses mainly comprised staff costs, rent and rates, meals and entertainment expenses, depreciation expenses, transportation expenses and others. Administrative expenses increased from approximately HK\$19,624,000 for the year ended 31 December 2017 to approximately HK\$20,982,000 for the year ended 31 December 2018. The increase in administrative expenses of the Group was mainly due to an increase in administrative expense and professional fee after the Listing, including auditor's remuneration, share registration fee, printing fee and other professional fees.

Listing expenses

Listing expenses comprised professional and other expenses in relation to the Listing. The listing expenses increased by approximately HK\$11,900,000 or 307.3% from approximately HK\$3,872,000 for the year ended 31 December 2017 to approximately HK\$15,772,000 for the year ended 31 December 2018.

Finance costs

Finance costs of approximately HK\$455,000 for the year ended 31 December 2018 represented interest expenses on bank loans and overdrafts and finance charges on obligations under finance leases.

Income tax expenses

For the year ended 31 December 2018, income tax expenses were approximately HK\$5,721,000 (2017: approximately HK\$5,330,000), and the effective tax rate (excluding the non-recurring listing expenses) was approximately 16.8% (2017: 16.3%).

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

For the year ended 31 December 2018, the Group's profit and total comprehensive income attributable to equity shareholders of the Company was approximately HK\$12,581,000 (2017: approximately HK\$23,404,000). The decrease in profit and total comprehensive income attributable to equity shareholders of the Company was mainly due to the increase in non-recurring listing expenses by approximately HK\$11,900,000 incurred in relation to the Listing.

Dividend

The Board does not recommend the payment of final dividend for the year ended 31 December 2018.

Trade and other receivables

Trade receivables decreased by approximately HK\$6,602,000 from approximately HK\$27,359,000 as at 31 December 2017 to approximately HK\$20,757,000 as at 31 December 2018. As at 31 December 2017, the trade receivable included a payment certificate of approximately HK\$12,000,000 issued near the end of the financial year which induced a high trade receivable.

Retention receivables increased by approximately HK\$2,628,000 from approximately HK\$12,064,000 as at 31 December 2017 to approximately HK\$14,692,000 as at 31 December 2018. During the year ended 31 December 2018, number of projects were at their final stage and the increase in retention receivables was in line with the progress of the projects.

Other receivables decreased by approximately HK\$891,000 from approximately HK\$1,402,000 as at 31 December 2017 to approximately HK\$511,000 as at 31 December 2018. The decrease was mainly due to the prepayment of listing expenses was transferred to equity upon Listing.

Trade and other payables

Trade payables decreased by approximately HK\$1,839,000 from approximately HK\$6,017,000 as at 31 December 2017 to approximately HK\$4,178,000 as at 31 December 2018. The decrease was mainly due to the less submission of payment applications from the subcontractors near the end of the financial year for the Group's certification.

Other payables and accruals increased by approximately HK\$403,000 from approximately HK\$4,512,000 as at 31 December 2017 to approximately HK\$4,915,000 as at 31 December 2018. The increase was mainly due to more accrued double pay for the Group's staff as at 31 December 2018.

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.

To facilitate the business expansion goal through internal advancements, the Group has been providing training to existing staff. The Group has arranged 10 employees to attend the programme "Certificate in Building Information Modelling" in early 2018, which designed to equip employees with the practical and specialised knowledge and skills in building information modelling. In addition, the Group has been providing financial support to an employee for attending BSc (Hons) Building Services Engineering with the study of building services design set in the context of energy efficiency and the carbon reduction agenda.

Intend to expand our professional talent pool, the Group will employ chartered engineers with relevant experience in the speciality of ventilation works, assistant engineers, foreman, draftsman and quantity surveyor in the forthcoming two to three years' time (depending on the pace of our business growth) to fulfil the application requirements for and to acquire the qualification as a registered specialist contractor in the ventilation works category under the Buildings Department.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had net current assets of approximately HK\$159,853,000 as at 31 December 2018 (2017: approximately HK\$47,121,000). The quick ratio of the Group was approximately 10.9 times as at 31 December 2018 (2017: approximately 2.2 times). The Group generally financed its daily operations by its internal resources and bank borrowings. The Group financed its business expansion and new business opportunities from the net proceeds from Listing. The remaining unused net proceeds as at 31 December 2018 were placed as interest-bearing deposits with licensed bank in Hong Kong.

CAPITAL STRUCTURE

Details of the Company's share capital are set out in note 14 to this announcement.

FINANCIAL POLICIES

The Group is exposed to liquidity risk in respect of the settlement of its trade payables and financing obligations, and 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 both the short and long term.

GEARING RATIO AND DEBT TO EQUITY 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 year divided by the total equity as at the respective corresponding year) was approximately 0.9% as at 31 December 2018 (2017: 54.4%).

The Group's debt to equity ratio, which is calculated based on the total debt (defined as the sum of bank borrowings and obligation under finance leases minus cash and cash equivalents as at the respective year end divided by total equity as at the respective corresponding year) was not applicable due to the Group recorded net cash position as at 31 December 2018 (2017: 50.6%).

CAPITAL EXPENDITURE

During the year ended 31 December 2018, the Group invested approximately HK\$146,000 (2017: approximately HK\$117,000) in plant and equipment, mainly represented motor vehicle and furniture and fixtures for the office.

CAPITAL COMMITMENTS

As at 31 December 2018, the Group had no significant capital commitments (2017: HK\$Nil).

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2018, the Group's bank borrowings and obligations under finance leases were secured by corporate guarantees and motor vehicle respectively.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2018, the Group did not have any significant investment, material acquisition nor disposal of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the prospectus of Company dated 28 June 2018 (the "Prospectus"), the Group did not have other future plans for material investments or capital assets.

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 31 December 2018, the Group had 79 employees (2017: 81 employees) with total staff costs (including Directors' emoluments) of approximately HK\$26,372,000 incurred for the year ended 31 December 2018 (2017: HK\$28,236,000). 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, 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 the 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 11 July 2018 (the “**Listing Date**”) and up to the date of this announcement.

COMPETING INTEREST

Since the Listing Date and up to the date of this announcement, none of the Directors or the Controlling Shareholders of the Company or their close associates are 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 31 December 2018 and up to the date of this announcement, 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 announcement:

	Net proceeds <i>HK\$'000</i>	Utilised <i>HK\$'000</i>	Unutilised <i>HK\$'000</i>
Procurement of HVAC systems	87,654	–	87,654
Taking out surety bonds	4,608	1,880	2,728
General working capital	10,138	10,138	–
	<u>102,400</u>	<u>12,018</u>	<u>90,382</u>

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 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 terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

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 announcement, no share options were granted under the Share Option Scheme.

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

From the Listing Date up to the date of this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Company is committed to fulfilling its responsibilities to its shareholders (the “**Shareholders**”) of the Company and protecting and enhancing the Shareholders’ value through good corporate governance. The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

The code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”) were not applicable to the Company for the period from 1 January 2018 to 11 July 2018 being the date immediately before the Listing Date. The Company has adopted and complied with the code provisions, where applicable, during the period from Listing Date to 31 December 2018.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (the “**AGM**”) is scheduled on Thursday, 6 June 2019. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 3 June 2019 to Thursday, 6 June 2019 (both days inclusive), during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the AGM, unregistered holders of the Shares should ensure that all share transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 31 May 2019.

EVENT AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event which had material effect on the Group subsequent to 31 December 2018 and up to the date of this announcement.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by directors of listed issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as rules governing dealings by the Directors in the listed securities of the Company on 8 June 2018. Based on specific enquiry with the Directors, all the Directors have complied with the required standards as set out in the Model Code since the Listing Date and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) 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 this annual financial results announcement and the consolidated financial statements for the year ended 31 December 2018, including the accounting policies and standards adopted by the Group, and discussed financial related matters.

The Audit Committee comprises three independent non-executive Directors and chaired by Mr. Lau Yu Ching, who has appropriate professional qualifications and experience as required by the Listing Rules.

PUBLICATION OF ANNUAL RESULTS AND 2018 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

A copy of this announcement will be available from Group’s website at www.manshungroup.com.hk and the Stock Exchange’s website at www.hkexnews.hk. The annual report for the year ended 31 December 2018 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and will be published on the aforesaid websites of the Company and the Stock Exchange in due course in accordance with the Listing Rules.

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

Hong Kong, 27 March 2019

As at the date of this announcement, the executive Directors are Mr. Cheung Yuen Tung, Mr. Cheung Yuen Chau and Mr. Tang Chi Chiu; and the independent non-executive Directors are Mr. Lau Yu Ching, Mr. Law Chung Lam, Nelson and Mr. Pang Kam Fai, Dickson.