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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)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018**

### **HIGHLIGHTS**

- The Group recorded revenue of approximately HK\$85,913,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: approximately HK\$46,097,000).
- Profit attributable to owners of the Company for the six months ended 30 June 2018 amounted to approximately HK\$10,025,000 (six months ended 30 June 2017: approximately HK\$7,755,000).

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, the “**Group**”) for the six months ended 30 June 2018 (the “**Reporting Period**”), together with the unaudited comparative figures for corresponding period in 2017 (the “**Corresponding Period**”), as follow:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2018*

		<b>Six months ended 30 June</b>	
	<i>NOTES</i>	<b>2018</b>	<b>2017</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	5	<b>85,913</b>	46,097
Cost of services		<u><b>(56,044)</b></u>	<u>(23,419)</u>
<b>Gross profit</b>		<b>29,869</b>	22,678
Other income	6	<b>178</b>	405
Administrative expenses		<b>(8,981)</b>	(9,329)
Listing expenses		<b>(7,214)</b>	(3,353)
Finance costs	7(a)	<u><b>(306)</b></u>	<u>(152)</u>
<b>Profit before taxation</b>	7	<b>13,546</b>	10,249
Income tax expense	8	<u><b>(3,521)</b></u>	<u>(2,494)</u>
<b>Profit and total comprehensive income for the period attributable to owners of the Company</b>		<u><b>10,025</b></u>	<u>7,755</u>
		<i>HK cent</i>	<i>HK cent</i>
<b>Earnings per share</b>			
Basic	10	<u><b>1.00</b></u>	<u>0.78</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	<i>NOTES</i>	<b>30 June 2018 HK\$'000 (Unaudited)</b>	31 December 2017 HK\$'000 (Audited)
<b>Non-current assets</b>			
Plant and equipment	11	<b>1,353</b>	1,592
<b>Current assets</b>			
Trade and other receivables	12	<b>23,020</b>	40,825
Contract assets	13	<b>33,911</b>	29,194
Amount due from a director		–	14,673
Cash at bank and in hand		<b>15,350</b>	1,838
		<b>72,281</b>	86,530
<b>Current liabilities</b>			
Trade and other payables	14	<b>12,634</b>	11,070
Contract liabilities	13	<b>1,273</b>	1,707
Bank loans and overdrafts	15	<b>14,560</b>	25,581
Obligations under finance leases	16	<b>325</b>	327
Tax payable		<b>4,264</b>	724
		<b>33,056</b>	39,409
<b>Net current assets</b>		<b>39,225</b>	47,121
<b>Non-current liabilities</b>			
Obligations under finance leases	16	<b>138</b>	298
Deferred tax liabilities		<b>238</b>	238
		<b>376</b>	536
<b>Net assets</b>		<b>40,202</b>	48,177
<b>Capital and reserves</b>			
Share capital	17	–*	–*
Share premium		<b>2</b>	2
Reserves		<b>40,200</b>	48,175
<b>Equity attributable to owners of the Company</b>		<b>40,202</b>	48,177

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 11 April 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company (the “**Shares**”) have been listed on the Main Board of the Stock Exchange of Hong Kong (the “**Stock Exchange**”) on 11 July 2018.

The address of its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the address of its principal place of business is at Room 1908, 19th Floor, Cheung Fung Industrial Building, Nos. 23–39 Pak Tin Par Street, Tsuen Wan, New Territories, Hong Kong.

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

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) which is also the functional currency of the Company. All values are rounded to the nearest thousand (“**HK\$’000**”) except otherwise indicated.

## 2. GROUP REORGANISATION

Pursuant to the corporate reorganisation (the “**Reorganisation**”) as fully explained in the section headed “History, Development and Reorganisation” of the prospectus of the Company dated 28 June 2018 (the “**Prospectus**”), the Company became the holding company of the companies now comprising the Group on 16 June 2017. Prior to the completion of the Reorganisation, all the companies comprising the Group were ultimately jointly controlled by Mr. Cheung Yuen Tung and Mr. Cheung Yuen Chau.

Upon the completion of the Reorganisation, the Company holds the entire equity interests, directly or indirectly, of companies comprising the Group. All intra-group transactions and balances have been eliminated.

## 3. BASIS OF PREPARATION

The interim results set out in the announcement do not constitute the Group’s interim financial report for the six months ended 30 June 2018 but are extracted from that report.

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 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the accountants’ report set out in Appendix I to the Prospectus (“**Accountants’ Report**”), except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 4.

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.

The interim financial report contains 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 2017 historical financial information as disclosed in the Accountants' Report. The condensed consolidated interim financial statements, and notes thereon do not include all the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report for the six months ended 30 June 2018 is unaudited but has been reviewed by the Audit Committee of the Company.

#### 4. CHANGES IN ACCOUNTING POLICIES

In the current period, the Group has adopted all the new and revised HKFRSs, amendments to HKASs and Interpretations (hereinafter collectively referred to as "**new and revised HKFRSs**") issued by HKICPA and effective for accounting periods beginning on or after 1 January 2018 of these. The following developments are relevant to the Group's financial statements:

HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration

The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current and prior periods.

The Group has not applied any new standard or interpretation that is not effective for the current accounting period.

## 5. 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	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Products transferred at a point in time	10,911	1,653
Services transferred over time	75,002	44,444
	<u>85,913</u>	<u>46,097</u>

### By type of services:

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Installation services only	54,107	36,472
Installation services with HVAC systems procurement	31,806	9,625
	<u>85,913</u>	<u>46,097</u>

### Geographical information

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

## 6. OTHER INCOME

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Bank interest income	1	3
Repair service income	45	304
Gain on disposal of plant and equipment	24	7
Sundry income	108	91
	<u>178</u>	<u>405</u>

## 7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>(a) Finance costs</b>		
Interest on bank loans	188	47
Interest on bank overdrafts	105	65
Finance charges on obligations under finance leases	13	40
	<u>306</u>	<u>152</u>
<b>(b) Staff costs (including directors' emoluments)</b>		
Salaries, wages and other benefits	11,124	12,550
Contributions to defined contribution retirement plan	432	475
	<u>11,556</u>	<u>13,025</u>
<b>(c) Other items</b>		
Depreciation	359	439
Operating lease charges: minimum lease payment	210	210
Loss on disposal of plant and equipment	-	131
	<u>-</u>	<u>131</u>

## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	3,521	2,103
<b>Deferred tax</b>		
Origination and reversal of temporary differences	-	391
	<u>3,521</u>	<u>2,494</u>

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

## 9. DIVIDENDS

On 30 April 2018, interim dividends in aggregation of HK\$18,000,000 were declared and paid by the Company to the then shareholder. The Directors do not recommend the payment of any further interim dividend for the six months ended 30 June 2018.

## 10. EARNINGS PER SHARE

### (a) Basic earnings per share

The basic earnings per share is calculated based on the profit for the period of HK\$10,025,000 (2017: HK\$7,755,000) and the weighted average of 1,000,000,000 shares (2017: 1,000,000,000 shares) for the six months ended 30 June 2018 on the assumption that the Reorganisation, subdivision of shares of the Company and the Capitalisation Issue, as detailed in notes 2, 17 and 18 respectively, have been completed on 1 January 2017.

### (b) Diluted earnings per share

There were no potential dilutive shares in existence during the six months ended 30 June 2018 and 2017 and therefore, diluted earnings per share are the same as the basic earnings per shares.

## 11. PLANT AND EQUIPMENT

	Leasehold improvement <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost:</b>					
At 1 January 2017	1,166	212	238	6,338	7,954
Additions	–	–	–	33	33
Disposals	(418)	(104)	(67)	(3,271)	(3,860)
At 30 June 2017	748	108	171	3,100	4,127
At 1 January 2018	748	108	255	3,100	4,211
Additions	–	–	16	130	146
Disposals	–	–	–	(103)	(103)
At 30 June 2018	748	108	271	3,127	4,254
<b>Accumulated depreciation:</b>					
At 1 January 2017	432	123	92	3,992	4,639
Charge for the year	75	11	15	338	439
Written back on disposals	(322)	(100)	(34)	(2,358)	(2,814)
At 30 June 2017	185	34	73	1,972	2,264
At 1 January 2018	259	45	94	2,221	2,619
Charge for the year	75	11	25	248	359
Written back on disposals	–	–	–	(77)	(77)
At 30 June 2018	334	56	119	2,392	2,901
<b>Net book value:</b>					
As at 30 June 2017	563	74	98	1,128	1,863
As at 31 December 2017	489	63	161	879	1,592
As at 30 June 2018	414	52	152	735	1,353

## 12. TRADE AND OTHER RECEIVABLES

	<b>30 June 2018 HK\$'000 (Unaudited)</b>	31 December 2017 HK\$'000 (Audited)
Trade receivables	5,397	27,359
Deposits, prepayment and other receivables	3,693	1,402
Retention receivables	<u>13,930</u>	<u>12,064</u>
	<u><b>23,020</b></u>	<u><b>40,825</b></u>

At 30 June 2018 and 31 December 2017, the amounts expected to be recovered after more than one year are HK\$7,150,000 and HK\$4,343,000 respectively. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

### (a) Ageing analysis

At 30 June 2018 and 31 December 2017, the ageing analysis of trade receivables (net of allowance for doubtful debts), based on the date of payment certificate, is as follows:

	<b>30 June 2018 HK\$'000 (Unaudited)</b>	31 December 2017 HK\$'000 (Audited)
Within 1 month	4,862	26,314
1 to 2 months	–	1,029
2 to 3 months	500	–
Over 3 months	<u>35</u>	<u>16</u>
	<u><b>5,397</b></u>	<u><b>27,359</b></u>

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

### (b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

No allowance for doubtful debts were recognised during the period ended 30 June 2018 and year ended 31 December 2017. At 30 June 2018 and 31 December 2017, no trade receivables were individually determined to be impaired.

(c) **Trade receivables that are not impaired**

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	<b>30 June 2018 HK\$'000 (Unaudited)</b>	31 December 2017 HK\$'000 (Audited)
Neither past due nor impaired	<u>4,862</u>	<u>27,343</u>
Less than 1 month past due	–	–
1 to 3 months past due	500	–
Over 3 months past due	<u>35</u>	<u>16</u>
	<u>535</u>	<u>16</u>
	<u><b>5,397</b></u>	<u><b>27,359</b></u>

Receivables that were neither past due nor impaired relate to a range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

**13. CONTRACT ASSETS AND LIABILITIES**

	<b>30 June 2018 HK\$'000 (Unaudited)</b>	31 December 2017 HK\$'000 (Audited)
Contract assets	33,911	29,194
Contract liabilities	<u>(1,273)</u>	<u>(1,707)</u>
	<u><b>32,638</b></u>	<u><b>27,487</b></u>

**14. TRADE AND OTHER PAYABLES**

	<b>30 June 2018 HK\$'000 (Unaudited)</b>	31 December 2017 HK\$'000 (Audited)
Trade payables	5,026	6,017
Accrued subcontracting costs	–	541
Other payables and accruals	<u>7,608</u>	<u>4,512</u>
	<u><b>12,634</b></u>	<u><b>11,070</b></u>

At 30 June 2018 and 31 December 2017, the ageing analysis of trade payables, based on the invoice date, is as follows:

	<b>30 June 2018 HK\$'000 (Unaudited)</b>	31 December 2017 HK\$'000 (Audited)
Within 1 month	3,106	3,280
1 to 2 months	1,612	2,398
2 to 3 months	208	339
Over 3 months	100	–
	<u>5,026</u>	<u>6,017</u>

#### 15. BANK LOANS AND OVERDRAFTS

At 30 June 2018 and 31 December 2017, the bank loans and overdrafts were repayable as follows:

	<b>30 June 2018 HK\$'000 (Unaudited)</b>	31 December 2017 HK\$'000 (Audited)
Within one year or on demand	<u>14,560</u>	<u>25,581</u>

#### 16. OBLIGATIONS UNDER FINANCE LEASES

At 30 June 2018 and 31 December 2017, the Group had obligations under finance leases repayable as follows:

	<b>30 June 2018</b>		31 December 2017	
	<b>Present value of the minimum lease payments HK\$'000 (Unaudited)</b>	<b>Total minimum lease payments HK\$'000 (Unaudited)</b>	Present value of the minimum lease payments HK\$'000 (Audited)	Total minimum lease payments HK\$'000 (Audited)
Within 1 year	<u>325</u>	<u>339</u>	<u>327</u>	<u>349</u>
After 1 year but within 2 years	127	131	223	230
After 2 years but within 5 years	<u>11</u>	<u>11</u>	<u>75</u>	<u>76</u>
	<u>138</u>	<u>142</u>	<u>298</u>	<u>306</u>
	463	481	625	655
Less: Total future interest expenses	<u>–</u>	<u>(18)</u>	<u>–</u>	<u>(30)</u>
Present value of lease obligations	<u>463</u>	<u>463</u>	<u>625</u>	<u>625</u>

## 17. SHARE CAPITAL

The share capital of the Company as at 30 June 2018 and 31 December 2017 is as follows:

	Number of shares	HK\$'000
<b>Authorised</b>		
At 11 April 2017 (date of incorporation) with par value of HK\$0.01 each ( <i>Note</i> )	38,000,000	380
At 30 June 2018 and 31 December 2017	<u>38,000,000</u>	<u>380</u>
<b>Issued and fully paid</b>		
At 11 April 2017 (date of incorporation) with par value of HK\$0.01 each ( <i>Note</i> )	200	—*
At 30 June 2018 and 31 December 2017	<u>200</u>	<u>—*</u>

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

*Note:* The Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. As at 30 June 2018 and 31 December 2017, 200 shares were issued.

## 18. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

### (a) Capitalisation issue

Pursuant to a written resolution of the shareholders of the Company passed on 8 June 2018, a total of 749,999,800 Shares of HK\$0.01 each were allotted and issued at par value to the Controlling Shareholders by way of capitalisation of HK\$7,499,998 from the Company's share premium account on 11 July 2018. The respective Shares allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

### (b) Initial public offering

On 11 July 2018, 250,000,000 Shares of HK\$0.01 each were issued at a price of HK\$0.52 per share in connection with the Company's initial public offering. The proceeds of HK\$2,500,000 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK\$127,500,000 (before expenses) were credited to the share premium account. Dealings in the Shares on the Stock Exchange commenced on 11 July 2018.

## 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 (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:

	Six months ended 30 June							
	2018				2017			
	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
Installation services only	54,107	63%	19,969	37%	36,472	79%	18,526	51%
Installation services with HVAC systems procurement	31,806	37%	9,900	31%	9,625	21%	4,152	43%
	<b>85,913</b>	<b>100%</b>	<b>29,869</b>	<b>35%</b>	<b>46,097</b>	<b>100%</b>	<b>22,678</b>	<b>49%</b>

By timing of revenue recognition:

	Six months ended 30 June			
	2018		2017	
	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)	
Services transferred over time	75,002	87%	44,444	96%
Products transferred at a point in time	10,911	13%	1,653	4%
	<b>85,913</b>	<b>100%</b>	<b>46,097</b>	<b>100%</b>

During the Reporting Period, the Group's revenue increased by approximately HK\$39,816,000 or 86.4% to approximately HK\$85,913,000 (Corresponding Period: approximately HK\$46,097,000).

The increase was primarily attributable to a number of large scale projects with substantial portion of contract revenue recorded during the Reporting Period in accordance with the respective project execution progress. The variation order increased by approximately HK\$3,638,000 or 326.3% to approximately HK\$4,753,000 for the Reporting Period (Corresponding Period: approximately HK\$1,115,000), which contributed to the increase in revenue for the Reporting Period.

## Cost of services

	Six months ended 30 June			
	2018		2017	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	(Unaudited)		(Unaudited)	
Subcontracting fees	<b>25,660</b>	<b>46%</b>	9,985	43%
Materials and consumables	<b>23,228</b>	<b>41%</b>	5,623	24%
Direct labour	<b>5,622</b>	<b>10%</b>	6,572	28%
Others	<b>1,534</b>	<b>3%</b>	1,239	5%
Total	<b>56,044</b>	<b>100%</b>	23,419	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 increased by approximately HK\$32,625,000 or 139.3% to approximately HK\$56,044,000 for the Reporting Period, as compared to approximately HK\$23,419,000 for the Corresponding Period. The increase was primarily attributable to a number of large scale projects with substantial portion of contract revenue undertaking during the Reporting Period which demanded additional subcontracting service and usage of material and consumables. The HVAC systems procurement is increased by approximately HK\$8,737,000 or 764.4% to approximately HK\$9,880,000 for the Reporting Period (Corresponding Period: approximately HK\$1,143,000) due to the increase in demand for installation services with HVAC systems procurement.

## Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$7,191,000 or 31.7% from approximately HK\$22,678,000 for the Corresponding Period to approximately HK\$29,869,000 for the Reporting Period.

The lower gross profit margin for the Reporting Period was partly attributable to the significant increase in revenue associated with installation services with HVAC systems procurement from approximately HK\$9,625,000 for the Corresponding Period to approximately HK\$31,806,000 for the Reporting Period. The installation services with HVAC systems procurement normally has a lower gross profit margin than those services with installation only. In addition, for the projects for installation services only, we recognised a higher percentage contract revenue for a number of lower margin projects for the Reporting Period.

## **Other income**

The other income mainly consisted of gain on disposal of motor vehicles and other services income, which principally included repairing services and gains on indent sales of HVAC systems recognised for the Reporting Period.

## **Administrative expenses**

Administrative expenses mainly comprised of staff costs, rent and rates, meals and entertainment expenses, depreciation expenses, transportation expenses and others. Administrative expenses decreased from approximately HK\$9,329,000 for the Corresponding Period to approximately HK\$8,981,000 for the Reporting Period. The decrease of administrative expenses of the Group was mainly due to the decrement of director's remuneration.

## **Listing expenses**

Listing expenses comprised professional and other expenses in relation to the Listing. The listing expenses amounted to approximately HK\$7,214,000 for the Reporting Period (Corresponding Period: approximately HK\$3,353,000).

## **Finance costs**

Finance costs of approximately HK\$306,000 for the Reporting Period represented interest expenses on bank loans and overdrafts and finance charges on obligations under finance leases.

## **Income tax expenses**

For the Reporting Period and Corresponding Period, the income tax expenses were approximately HK\$3,521,000 and HK\$2,494,000, respectively, and the effective tax rate (excluding the non-recurring listing expenses) for the same period was approximately 17.0% and 18.3%, respectively.

## **Profit and total comprehensive income attributable to owners of the Company**

For the Reporting Period and Corresponding Period, the Group's profit and total comprehensive income attributable to owners of the Company was approximately HK\$10,025,000 and HK\$7,755,000, respectively. The increase of profit and total comprehensive income attributable to owners of the Company was mainly due to the increase in revenue by approximately HK\$39,816,000 or approximately 86.4% to approximately HK\$85,913,000 (Corresponding period: approximately HK\$46,097,000), netting off the effect of increase in listing expenses recognised of approximately HK\$3,861,000 for the Reporting Period as compared to the Corresponding Period.

## **Dividend**

During the period, the Company declared and paid an interim dividend of HK\$18,000,000 to the then shareholder of the Company.

No dividend was paid, declared or proposed during the Corresponding Period.

## **Trade and other receivables**

Trade receivables decreased by 80.3% from approximately HK\$27,359,000 as at 31 December 2017 to approximately HK\$5,397,000 as at 30 June 2018. As at 31 December 2017, the trade receivable included a payment certificate with approximately HK\$12,000,000 issued near to the year ended which induced a high trade receivable.

Retention receivables increased by HK\$1,866,000 from approximately HK\$12,064,000 as at 31 December 2017 to approximately HK\$13,930,000 as at 30 June 2018. The increase is in line with the progress of the projects.

Other receivables increased by HK\$2,291,000 from approximately HK\$1,402,000 as at 31 December 2017 to approximately HK\$3,693,000 as at 30 June 2018. The increase was mainly due to increase in prepayment in listing expenses from approximately HK\$1,192,000 as at 31 December 2017 to approximately HK\$3,426,000 as at 30 June 2018.

## **Trade and other payables**

Trade payables decreased by 16.5% from approximately HK\$6,017,000 as at 31 December 2017 to approximately HK\$5,026,000 as at 30 June 2018. The decrease was mainly due to the late submission of payment applications from the subcontractors towards the end of the financial year for the Group's certification.

Other payables and accruals increased by HK\$3,096,000 from approximately HK\$4,512,000 as at 31 December 2017 to approximately HK\$7,608,000 as at 30 June 2018. The increase was mainly due to dividend payables of approximately HK\$2,837,000 as at 30 June 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.

In order to facilitate the business expansion goal through internal advancements, the Group has arranged two of the employees to attend the "preparatory course to become a registered specialist contractor in the ventilation works category" in early 2017, which is specifically designed to give professional training to workers who would like to become a technical director or authorised signatory of a registered specialist contractor in the ventilation works.

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 registered specialist contractor in the ventilation works category under the Buildings Department.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the six months ended 30 June 2018, the Group's working capital was financed by both internal resources and bank borrowings. The quick ratio of the Group, which is calculated based on the current assets divided by current liabilities, was approximately 2.2 times (31 December 2017: approximately 2.2 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. The remaining unused net proceeds as at 30 June 2018 were placed as interest bearing deposits with licensed bank in Hong Kong.

## **CAPITAL STRUCTURE**

As at 30 June 2018, the Company's issued share capital was HK\$2 and the number of its issued ordinary shares was 200 of HK\$0.01 each.

The Shares were successfully listed on the Stock Exchange on 11 July 2018. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises ordinary shares.

## **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 37.4% as at 30 June 2018 (As at 31 December 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 period/year end divided by total equity as at the respective corresponding periods) was net cash as at 30 June 2018 (As at 31 December 2017: 50.6%).

We believe our liquidity position would further be strengthened by using the combined of cash generated from operating activities and the net proceeds received from the Listing. Going forward, we intend to use working capital in accordance with the section headed “Future plans and use of proceeds” in the Prospectus.

## **CAPITAL EXPENDITURE**

During the six months ended 30 June 2018, the Group invested approximately HK\$147,000 in plant and equipment, mainly represented motor vehicle and furniture and fixtures for our office.

## **CAPITAL COMMITMENTS**

As at 30 June 2018, the Group had no significant capital commitments.

## **CHARGES ON THE GROUP’S ASSETS**

As at 30 June 2018, the Group’s bank borrowings and obligations under finance leases were secured by personal guarantees by directors, investment properties of related company and motor vehicles.

## **SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

During the six months ended 30 June 2018, the Group did not have any significant investment, material acquisition nor disposal of subsidiaries and affiliated companies save for those related to the reorganisation, for which the details are set out in the Prospectus.

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

Save as disclosed in 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 30 June 2018, the Group employed 79 employees (31 December 2017: 81 employees) with total staff cost of approximately HK\$11,556,000 incurred for the Reporting Period (Corresponding Period: approximately HK\$13,025,000). 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 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 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 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 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:

	<b>Net proceeds</b> <i>HK\$'000</i>	<b>Utilised</b> <i>HK\$'000</i>	<b>Unutilised</b> <i>HK\$'000</i>
Procurement of HVAC systems	87,654	–	87,654
Taking out surety bonds	4,608	–	4,608
General working capital	10,138	–	10,138
	<u>102,400</u>	<u>–</u>	<u>102,400</u>

As at 30 June 2018, the Group had not yet utilised the proceeds from the Share Offer or achieved any business milestones as referred in the Prospectus. The Group will strive to achieve the milestone events as stated in the Prospectus.

## **OTHER INFORMATION**

### **Purchase, sales or redemption of the Company’s listed securities**

In the Reporting Period, the Shares have not been listed on the Stock Exchange, nor were there any other listed securities issued by the Company or any of its subsidiaries. From the Listing Date up to the date of this announcement, 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**

As the Shares have not been listed on the Stock Exchange as at 30 June 2018, the Code on Corporate Governance (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules was not applicable to the Company for the Reporting Period. The Company has adopted the CG Code as guidelines for corporate governance to the Board on 8 June 2018. The Company confirms it has met the required standards as set out in the CG Code since the Listing Date and up to the date of this announcement.

### **Model code for securities transactions by Directors**

As the Shares have not been listed on the Stock Exchange as at 30 June 2018, the Model Code for securities transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules was not applicable to the Company for the Reporting Period. The Company has adopted the Model Code 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.

## **Event after the Reporting Period**

The following significant events of the Group occurred after the end of the Reporting Period:

### **(a) *Capitalisation issue***

Pursuant to a written resolution of the shareholders of the Company passed on 8 June 2018, a total of 749,999,800 Shares of HK\$0.01 each were allotted and issued at par value to the Controlling Shareholders by way of capitalisation of HK\$7,499,998 from the Company's share premium account on 11 July 2018. The respective Shares allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

### **(b) *Initial public offering***

On 11 July 2018, 250,000,000 Shares of HK\$0.01 each were issued at a price of HK\$0.52 per share in connection with the Company's initial public offering. The proceeds of HK\$2,500,000 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK\$127,500,000 (before listing expenses) were credited to the share premium account. Dealings in the Shares on the Stock Exchange commenced on 11 July 2018.

## **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 Reporting Period is unaudited but has been reviewed by the Audit Committee of the Company.

## **Publication of interim results announcement and interim report**

This announcement is published on the Company's website at [www.manshungroup.com.hk/investor\\_relations.htm](http://www.manshungroup.com.hk/investor_relations.htm) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk). The interim report for the Reporting Period 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 August 2018

*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.*