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 2019

HIGHLIGHTS

- The Group recorded revenue of approximately HK$41,092,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately HK$85,913,000).
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2019 amounted to approximately HK$1,908,000 (six months ended 30 June 2018: approximately HK$10,025,000).

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 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	
		2019	2018
	NOTES	***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
		HK cent	*HK cent*
Earnings per share			
Basic	9(a)	**0.19**	1.00
Diluted	9(b)	**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

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, 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 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.

2. 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 2019 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 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.

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 and 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.

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, a 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.

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.

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 *HK'$000*
Right-of-use asset presented in the statement of financial position	454
Lease liability presented in the statement of financial position	478

When measuring lease liability for lease that was classified as operating leases, the Group discounted lease payments using its incremental borrowing rate 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 at 31 December 2018 as disclosed in the Group's consolidated financial statements	630
Discounted using the incremental borrowing rate and lease liability recognised 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 liability 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 six months ended 30 June 2019, the Group recognised depreciation charges of HK$151,000 and interest costs of HK$79,000 from these leases.

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

By type of services:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(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	2018
	HK$'000	*HK$'000*
	(Unaudited)	(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

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

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(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 six months ended 30 June 2019.

9. EARNINGS PER SHARE

(a) 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 six months ended 30 June 2019.

(b) 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.

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**

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	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(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.

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	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(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.

13. TRADE AND OTHER PAYABLES

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(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	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(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

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	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(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
	138	**142**	298	306
Less: Total future interest expenses	**–**	**(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**

16. SHARE CAPITAL

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

		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 Reorganisation	(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:

(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 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. 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 six months ended 30 June 2019, the Group recorded a decrease in net profit after tax by more than 80% as compared with that for the corresponding period in 2018 which mainly due to the general slowdown in the property market in Hong Kong and the general negative atmosphere surrounding the macroeconomic and geopolitical uncertainties in the recent times.

FINANCIAL REVIEW

Revenue

By type of services:

	Six months ended 30 June							
	2019				2018			
	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	**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$'000	**%**	*HK$'000*	%
	(Unaudited)		(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).

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$'000	***%***	*HK$'000*	*%*
	(Unaudited)		(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 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.

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 the Reporting 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).

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.

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 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 six months ended 30 June 2019, 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.

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 six months ended 30 June 2019, 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 17 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 announcement.

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.

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, 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

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 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	**Utilised**	**Unutilised**
	HK$'000	*HK$'000*	*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

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 of the Listing Rules

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.

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.

Publication of interim results announcement and interim report

This announcement is published on the Company's website (http://manshungroup.com.hk) and the Stock Exchange's website (https://www.hkexnews.hk). The 2019 interim report of the Company will be despatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 27 August 2019

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