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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 2019**

**FINANCIAL HIGHLIGHTS**

- The Group recorded revenue of approximately HK\$114,489,000 for the year ended 31 December 2019 (2018: approximately HK\$163,629,000).
- Profit for the year attributable to equity shareholders of the Company for the year ended 31 December 2019 amounted to approximately HK\$1,007,000 (2018: approximately HK\$12,581,000).
- Basic and diluted earnings per share for the year ended 31 December 2019 were HK\$0.10 cents (2018: HK\$1.45 cents).
- The Board does not recommend the payment of final dividend for the year ended 31 December 2019.

## ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019, together with the comparative figures for the year ended 31 December 2018.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2019	2018
	NOTE	HK\$'000	HK\$'000
<b>Revenue</b>	4	<b>114,489</b>	163,629
Cost of services		<u>(90,858)</u>	<u>(110,529)</u>
<b>Gross profit</b>		<b>23,631</b>	53,100
Other income	5	<b>2,312</b>	2,411
Administrative expenses		<b>(23,571)</b>	(20,982)
Listing expenses		–	(15,772)
Finance costs	6(a)	<u>(62)</u>	<u>(455)</u>
<b>Profit before taxation</b>	6	<b>2,310</b>	18,302
Income tax expense	7	<u>(1,303)</u>	<u>(5,721)</u>
<b>Profit and total comprehensive income for the year</b>		<u><b>1,007</b></u>	<u>12,581</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share</b>			
Basic and diluted	9	<u><b>0.10</b></u>	<u>1.45</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>As at 31 December</b>	
		<b>2019</b>	<b>2018</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
	<i>NOTE</i>		
<b>Non-current assets</b>			
Property, plant and equipment		<u>2,663</u>	<u>1,012</u>
<b>Current assets</b>			
Trade and other receivables	10	53,340	35,960
Contract assets	11	29,442	30,835
Pledged bank deposits		1,880	1,880
Cash at bank and in hand		<u>99,208</u>	<u>107,391</u>
		<b>183,870</b>	<b>176,066</b>
<b>Current liabilities</b>			
Trade and other payables	12	17,871	13,007
Contract liabilities	11	1,275	918
Bank loans and overdrafts	13	1,347	1,143
Lease liabilities	14	929	223
Tax payable		<u>2,179</u>	<u>922</u>
		<b>23,601</b>	<b>16,213</b>
<b>Net current assets</b>		<u><b>160,269</b></u>	<u>159,853</u>
<b>Total assets less current liabilities</b>		<u><b>162,932</b></u>	<u>160,865</u>
<b>Non-current liabilities</b>			
Lease liabilities	14	1,103	75
Deferred tax liabilities		<u>230</u>	<u>184</u>
		<b>1,333</b>	<b>259</b>
<b>Net assets</b>		<u><b>161,599</b></u>	<u>160,606</u>
<b>Capital and reserves</b>			
Share capital		10,000	10,000
Reserves		<u>151,599</u>	<u>150,606</u>
<b>Total equity</b>		<u><b>161,599</b></u>	<u>160,606</u>

## 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**”).

### 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 2019, 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 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. 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 financial 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 2019 as set out in the preliminary announcement have been compared by the Group’s auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group’s draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

### 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, *Leases*, none of the developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### **HKFRS 16, Leases**

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“**short-term leases**”) and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 which remain substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

***a. New definition of a lease***

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

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 before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

***b. Lessee accounting and transitional impact***

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.125%.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	<b>1 January 2019</b>
	<i>\$'000</i>
Operating lease commitments at 31 December 2018	630
Less: total future interest expenses	<u>(15)</u>
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	615
Add:	
— finance lease liabilities recognised as at 31 December 2018	298
— present value of remaining lease payments of office equipment, discounted using the incremental borrowing rate at 1 January 2019	<u>272</u>
Total lease liabilities recognised at 1 January 2019	<u>1,185</u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised as if HKFRS 16 had always been applied since the commencement date of the lease.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of presenting as “obligations under finance leases”, these amounts are included within “lease liabilities”, and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets and included in “Property, plant and equipment”.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 \$'000	Capitalisation of operating lease contracts \$'000	Carrying amount at 1 January 2019 \$'000
<b>Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:</b>			
Property, plant and equipment	1,012	873	1,885
<b>Total non-current assets</b>	1,012	873	1,885
Lease liabilities (current)	223	482	705
<b>Current liabilities</b>	16,213	482	16,659
<b>Net current assets</b>	159,853	(482)	159,371
<b>Total assets less current liabilities</b>	160,865	391	161,256
Lease liabilities (non-current)	75	405	480
<b>Total non-current liabilities</b>	259	405	664
<b>Net assets</b>	160,606	(14)	160,592
Reserves	150,606	(14)	150,592
<b>Total equity</b>	160,606	(14)	160,592

*c. Impact on the financial result, segment results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

#### 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 HVAC Business in Hong Kong during the years ended 31 December 2019 and 2018. 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	
	2019	2018
	HK\$'000	HK\$'000
Products transferred at a point in time	30,979	12,903
Services transferred over time	83,510	150,726
	<u>114,489</u>	<u>163,629</u>

###### *Disaggregated by type of service:*

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Installation services only	40,996	122,917
Installation services with HVAC systems procurements	73,493	40,712
	<u>114,489</u>	<u>163,629</u>

##### (b) 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 regards Hong Kong as its place of domicile. No geographical information is presented as the Group is principally engaged in HVAC business in Hong Kong.

##### (c) Information about major customers

The Group's customer base includes three (2018: four) customers with whom transactions have exceeded 10% of the Group's revenue. In 2019, revenue from HVAC Business with these customers amounted to HK\$102,021,000 (2018: HK\$154,382,000).



## 5. OTHER INCOME

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Bank interest income	1,800	1,025
Repair and other service income	491	925
Gain on disposal of property, plant and equipment	–	25
Sundry income	21	436
	<u>2,312</u>	<u>2,411</u>

## 6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
<b>(a) Finance costs</b>		
Interest on bank loans	2	274
Interest on bank overdrafts	11	159
Interest on lease liabilities	49	22
	<u>62</u>	<u>455</u>
<b>(b) Staff costs (including directors' emoluments)</b>		
Salaries, wages and other benefits	24,806	25,517
Contributions to defined contribution retirement plan	897	855
	<u>25,703</u>	<u>26,372</u>
<b>(c) Other items</b>		
Depreciation		
— owned property, plant and equipment*	320	701
— right-of-use assets*	694	–
	<u>1,014</u>	<u>701</u>
Operating lease charges: minimum lease payments*	–	420
Impairment losses		
— trade and other receivables and contract assets	44	–
Auditors' remuneration	1,180	1,423
	<u>1,180</u>	<u>1,423</u>

\* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated.

## 7. INCOME TAX

	Year ended 31 December	
	2019 HK\$'000	2018 HK\$'000
<b>Current tax — Hong Kong Profits Tax:</b>		
Provision for the year	1,278	5,663
(Over)/under-provision in respect of prior years	(21)	112
	<u>1,257</u>	<u>5,775</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	46	(54)
	<u>1,303</u>	<u>5,721</u>

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2018.

The provision for Hong Kong Profits Tax for 2019 is taken into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2018-19 subject to a maximum reduction of HK\$20,000 for each business (2018: a maximum reduction of HK\$30,000 was granted for the year of assessment 2017-18 and was taken into account in calculating the provision for 2018).

## 8. DIVIDENDS

The interim dividend of HK\$18,000,000 (HK\$90,000 per share) was declared on 30 April 2018 and paid before the issuance of ordinary shares upon capitalisation and initial public offering in July 2018. The Boards does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: 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\$1,007,000 (2018: HK\$12,581,000) and the weighted average of 1,000,000,000 (2018: 868,493,151) ordinary shares in issue during the year. The weighted average number of ordinary shares in issue during the year ended 31 December 2018 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.

	Number of shares	
	2019	2018
<b>Weighted average number of ordinary shares</b>		
Ordinary shares at the beginning of the year	1,000,000,000	750,000,000
Effects of share issued under initial public offering	–	118,493,151
	<u>1,000,000,000</u>	<u>868,493,151</u>
Weighted average number of ordinary shares in issue	<u>1,000,000,000</u>	<u>868,493,151</u>

### (b) Diluted earnings per share

The amount of diluted earnings per share is the same as the basic earnings per share for the years ended 31 December 2019 and 2018 as there were no dilutive potential ordinary shares in issue.

## 10. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	HK\$'000	HK\$'000
Trade receivables, net of loss allowance	33,241	20,757
Deposits, prepayment and other receivables	690	511
Retention receivables	19,409	14,692
	<u>53,340</u>	<u>35,960</u>

As at 31 December 2019, the amounts expected to be recovered after more than one year is HK\$10,514,000 (2018: HK\$6,241,000). 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 the 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	
	2019	2018
	HK\$'000	HK\$'000
Within 1 month	32,073	20,519
1 to 3 months	968	238
Over 3 months	200	–
	<u>33,241</u>	<u>20,757</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	
	2019	2018
	HK\$'000	HK\$'000
Arising from performance under installation contracts	<u>29,442</u>	<u>30,835</u>
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables"	<u>52,650</u>	<u>35,449</u>

### (b) Contract liabilities

	As at 31 December	
	2019	2018
	HK\$'000	HK\$'000
Installation contracts		
— Billings in advance of performance	<u>(1,275)</u>	<u>(918)</u>

## 12. TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	HK\$'000	HK\$'000
Trade payables	7,741	4,178
Accrued subcontracting costs	5,137	3,914
Other payables and accruals	<u>4,993</u>	<u>4,915</u>
	<u>17,871</u>	<u>13,007</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	
	2019	2018
	HK\$'000	HK\$'000
Within 1 month	6,537	1,842
1 to 2 months	1,094	771
2 to 3 months	53	219
Over 3 months	<u>57</u>	<u>1,346</u>
	<u>7,741</u>	<u>4,178</u>

### 13. BANK LOANS AND OVERDRAFTS

As at 31 December 2019, the bank loans and overdrafts were as follows:

	As at 31 December	
	2019 HK\$'000	2018 HK\$'000
Bank overdrafts	1,347	876
Secured bank loans	–	267
	<b>1,347</b>	<b>1,143</b>

### 14 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	31 December 2019		1 January 2019 (Note)		31 December 2018 (Note)	
	Present		Present		Present	
	value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within 1 year	929	985	705	733	223	231
After 1 year but within 2 years	658	687	365	373	75	75
After 2 years but within 5 years	445	451	115	119	–	–
	1,103	1,138	480	492	75	75
	<b>2,032</b>	<b>2,123</b>	<b>1,185</b>	<b>1,225</b>	<b>298</b>	<b>306</b>
Less: total future interest expenses		(91)		(40)		(8)
Present value of lease liabilities		<b>2,032</b>		<b>1,185</b>		<b>298</b>

*Note:* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases.

## 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.

### FINANCIAL REVIEW

#### Revenue

By type of services:

	Year ended 31 December							
	2019				2018			
	Revenue		Gross	Gross	Revenue		Gross	Gross
<i>HK\$'000</i>	%	<i>HK\$'000</i>	profit	<i>HK\$'000</i>	%	<i>HK\$'000</i>	profit	
			margin				margin	
Installation services only	<b>40,996</b>	<b>36</b>	<b>10,222</b>	<b>25%</b>	122,917	75	39,990	33%
Installation services with HVAC systems procurements	<b>73,493</b>	<b>64</b>	<b>13,409</b>	<b>18%</b>	40,712	25	13,110	32%
	<b><u>114,489</u></b>	<b><u>100</u></b>	<b><u>23,631</u></b>	<b>21%</b>	<b><u>163,629</u></b>	<b><u>100</u></b>	<b><u>53,100</u></b>	<b>32%</b>

By timing of revenue recognition:

	Year ended 31 December			
	2019		2018	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Services transferred over time	<b>83,510</b>	<b>73</b>	150,726	92
Products transferred at a point in time	<b>30,979</b>	<b>27</b>	12,903	8
	<b>114,489</b>	<b>100</b>	163,629	100

During the year ended 31 December 2019, the Group's revenue decreased by approximately HK\$49,140,000 or 30.0% to approximately HK\$114,489,000.

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

#### Cost of services

	Year ended 31 December			
	2019		2018	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Subcontracting fees	<b>40,428</b>	<b>44</b>	55,707	50
Materials and consumables	<b>35,976</b>	<b>40</b>	37,384	34
Direct labour	<b>10,651</b>	<b>12</b>	12,859	12
Others	<b>3,803</b>	<b>4</b>	4,579	4
Total	<b>90,858</b>	<b>100</b>	110,529	100

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 decreased by approximately HK\$19,671,000 or 17.8% to approximately HK\$90,858,000 for the year ended 31 December 2019, as compared to approximately HK\$110,529,000 for the year ended 31 December 2018. The decrease was primarily attributable to the delay and slowdown of certain projects during the year, less cost of services were incurred accordingly.

## **Gross profit and gross profit margin**

The Group's gross profit decreased by approximately HK\$29,469,000 or 55.5% from approximately HK\$53,100,000 for the year ended 31 December 2018 to approximately HK\$23,631,000 for the year ended 31 December 2019. The Group's gross profit margin decreased from approximately 32.5% for the year ended 31 December 2018 to approximately 20.6% for the year ended 31 December 2019. The decrease in the gross profit margin was mainly due to substantial amounts of revenue were recognised from projects with lower profit margin.

## **Other income**

The other income mainly consisted of bank interest income and other services income, which principally included repairing services recognised for the year ended 31 December 2019.

## **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\$20,982,000 for the year ended 31 December 2018 to approximately HK\$23,571,000 for the year ended 31 December 2019. The increase in administrative expenses of the Group was mainly due to the increase in fees for professional advisors after Listing.

## **Finance costs**

Finance costs of approximately HK\$62,000 for the year ended 31 December 2019 represented interest expenses on bank loans and overdrafts and lease liabilities.

## **Income tax expenses**

For the year ended 31 December 2019, income tax expenses were approximately HK\$1,303,000 (2018: approximately HK\$5,721,000).

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

For the year ended 31 December 2019, the Group's profit and total comprehensive income attributable to equity shareholders of the Company was approximately HK\$1,007,000 (2018: approximately HK\$12,581,000). The decrease in profit and total comprehensive income attributable to equity shareholders of the Company was mainly due to the decrease in revenue.

## **Dividend**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.



### **Trade and other receivables**

Trade receivables increased by approximately HK\$12,484,000 from approximately HK\$20,757,000 as at 31 December 2018 to approximately HK\$33,241,000 as at 31 December 2019. The increase was mainly due to a payment certificate of approximately HK\$18,000,000 was issued near the end of 2019 which contributed to a high trade receivable balance.

Retention receivables increased by approximately HK\$4,717,000 from approximately HK\$14,692,000 as at 31 December 2018 to approximately HK\$19,409,000 as at 31 December 2019. The increase in retention receivables was in line with the progress of the projects.

Other receivables increased by approximately HK\$179,000 from approximately HK\$511,000 as at 31 December 2018 to approximately HK\$690,000 as at 31 December 2019. The increase was mainly due to the prepayment of insurance expenses made near the end of the financial year.

### **Trade and other payables**

Trade payables increased by approximately HK\$3,563,000 from approximately HK\$4,178,000 as at 31 December 2018 to approximately HK\$7,741,000 as at 31 December 2019. The increase was mainly due to the purchase of HVAC systems for projects installation near to the end of the financial year.

### **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, five new projects of total contract sum of approximately HK\$101.15 million were awarded to the Group during the year. 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.

The outbreak of the new coronavirus disease has had profound effects all over the world and on all kind of business and industries. In response to the epidemic, the Group has suspended one major project for a short period of time. The epidemic has also had significant impacts on traffic of people and goods around the world and thus brought uncertainty to the supply of equipment to the Group. The severe impact of the epidemic on the economy may affect the opportunity of the Group to be awarded projects in future and its gross profit margin may also decrease. If our construction workers are infected, it will significantly affect the progress of the projects. The Group will closely monitor the situation and take appropriate measures to ensure that the Group can operate under normal conditions.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group had net current assets of approximately HK\$160,269,000 as at 31 December 2019 (2018: approximately HK\$159,853,000). The quick ratio of the Group was approximately 7.8 times as at 31 December 2019 (2018: approximately 10.9 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 Listing. The remaining unused net proceeds as at 31 December 2019 were placed as interest-bearing deposits with licensed banks in Hong Kong.

## **CAPITAL STRUCTURE**

There is no change in the Company's share capital during the year.

## **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 terms.

## **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 lease liabilities as at the respective year divided by the total equity as at the respective corresponding year) was approximately 2.1% as at 31 December 2019 (2018: 0.9%).

The Group's debt to equity ratio, which is calculated based on the total debt (defined as the sum of bank borrowings and lease liabilities 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 2019.

## **CAPITAL EXPENDITURE**

During the year ended 31 December 2019, the Group invested approximately HK\$1,792,000 (2018: approximately HK\$146,000) in property, plant and equipment, mainly represented motor vehicle and furniture and fixtures for the office.

## **CAPITAL COMMITMENTS**

As at 31 December 2019, the Group had no significant capital commitments (2018: HK\$Nil).

## **CONTINGENT LIABILITIES**

The Group had no contingent liabilities as at 31 December 2019.

## **CHARGES ON THE GROUP'S ASSETS**

As at 31 December 2019, 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 2019, 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 the 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 AND REMUNERATION POLICIES**

As at 31 December 2019, the Group had 70 employees (2018: 79 employees) with total staff costs (including Directors' emoluments) of approximately HK\$25,703,000 incurred for the year ended 31 December 2019 (2018: HK\$26,372,000). The Group's remuneration packages are generally structured with reference to market terms and individual merits. The remuneration committee of the Company makes recommendations to the Board on the overall remuneration policy and structure for the Directors and senior management.

## **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 and up to the date of this announcement.

## **COMPETING INTEREST**

Since the Listing 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 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:

	<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	17,229	70,425
Taking out surety bonds	4,608	1,880	2,728
General working capital	10,138	10,138	–
	<u>102,400</u>	<u>29,247</u>	<u>73,153</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**

During the year ended 31 December 2019, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

## **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 Company has adopted and applied the principals of 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 (the "Listing Rules"). 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 Company has complied with the code provisions and, where appropriate, the applicable recommended best practices set out in the CG Code throughout the year ended 31 December 2019.

## **CLOSURE OF REGISTER OF MEMBERS**

The annual general meeting (the "AGM") is scheduled on Friday, 5 June 2020. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 2 June 2020 to Friday, 5 June 2020 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 1 June 2020.

## **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 2019 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 to the Listing Rules.

All Directors have confirmed, following specific enquiry by the Company that they complied with the required standard as set out in the Model Code throughout the year ended 31 December 2019.

## **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 2019, 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 2019 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

A copy of this announcement will be available from the Company’s website at [www.manshungroup.com.hk](http://www.manshungroup.com.hk) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk). The annual report for the year ended 31 December 2019 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, 31 March 2020

*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. Pang Kam Fai, Dickson, Mr. Law Chung Lam, Nelson and Mr. Lau Yu Ching.*