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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 2020**

HIGHLIGHTS

- The Group recorded revenue of approximately HK\$82,765,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately HK\$41,092,000).
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2020 amounted to approximately HK\$1,812,000 (six months ended 30 June 2019: approximately HK\$1,908,000).

UNAUDITED INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Man Shun Group (Holdings) Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**”), together with the unaudited comparative figures for corresponding period in 2019 (the “**Corresponding Period**”), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	<i>Notes</i>	Six months ended 30 June	
		2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	4	82,765	41,092
Cost of services		(69,164)	(30,411)
Gross profit		13,601	10,681
Other income	5	2,262	1,162
Administrative expenses		(13,626)	(9,321)
Finance costs	6(a)	(46)	(96)
Profit before taxation	6	2,191	2,426
Income tax expense	7	(379)	(518)
Profit and total comprehensive income for the period		1,812	1,908
		<i>HK cent</i>	<i>HK cent</i>
Earnings per share attributable to ordinary equity shareholders of the Company	9		
Basic		0.18	0.19
Diluted		0.18	0.19

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	<i>Notes</i>	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Non-current asset			
Property, plant and equipment	10	2,546	2,663
Current assets			
Trade and other receivables	11	62,114	53,340
Contract assets		20,820	29,442
Pledged bank deposits		1,880	1,880
Cash at bank and in hand		94,002	99,208
		178,816	183,870
Current liabilities			
Trade and other payables	12	13,571	17,871
Contract liabilities		535	1,275
Bank overdrafts		–	1,347
Lease liabilities		993	929
Tax payable		1,657	2,179
		16,756	23,601
Net current assets		162,060	160,269
Total assets less current liabilities		164,606	162,932
Non-current liabilities			
Lease liabilities		965	1,103
Deferred tax liabilities		230	230
		1,195	1,333
Net assets		163,411	161,599
Capital and reserves			
Share capital	13	10,000	10,000
Reserves		153,411	151,599
Equity attributable to shareholders		163,411	161,599

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands 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**”).

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 and its subsidiaries are principally engaged in provision of installation of heat, ventilation and air-conditioning system (the “**HVAC**”) in Hong Kong.

2. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with the Hong Kong Accounting Standard (“**HKAS**”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

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 2019, except for the accounting policy changes that are expected to be reflected in the 2020 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 affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars (“**HK\$**”), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 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 2019 consolidated financial statements.

The interim financial report for the six months ended 30 June 2020 is unaudited but has been reviewed by the Audit Committee of the Company.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

None of the amendments has 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 2020.

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	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Products transferred at a point in time	28,862	4,100
Services transferred over time	53,903	36,992
	<u>82,765</u>	<u>41,092</u>

By type of services:

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Installation services only	34,213	22,681
Installation services with HVAC systems procurement	48,552	18,411
	<u>82,765</u>	<u>41,092</u>

Geographical information

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

5. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Bank interest income	628	848
Repair and other service income	770	60
Gain on disposal of property, plant and equipment	50	–
Sundry income	814	254
	<u>2,262</u>	<u>1,162</u>

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

a. Finance costs

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank loans	–	2
Interest on bank overdrafts	7	9
Interest on lease liabilities	39	85
	<u>46</u>	<u>96</u>

b. Staff costs (including directors' emoluments)

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries, wages and other benefits	14,011	10,873
Contributions to defined contribution retirement plan	524	453
	<u>14,535</u>	<u>11,326</u>

c. Other items

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation on owned property, plant and equipment	135	262
Depreciation on right-of-use assets	682	151
	<u>817</u>	<u>413</u>
Gain on disposal of property, plant and equipment	<u>50</u>	<u>–</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax – Hong Kong profits tax		
Provision for the year	<u>379</u>	<u>518</u>

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both periods, 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 \$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 2019.

8. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (Corresponding Period: nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY SHAREHOLDERS OF THE COMPANY

a. Basic earnings per share

The basic earnings per share is calculated based on the profit for the period of HK\$1,812,000 (2019: HK\$1,908,000) and the weighted average of 1,000,000,000 shares for the six months ended 30 June 2020.

b. Diluted earnings per share

The amount of dilutive earnings per share is the same as basic earnings per share for the six months ended 30 June 2020 and 2019 as there is no dilutive potential ordinary shares in issue.

10. PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount:

	Leasehold improvements \$'000	Other properties leased for own use \$'000	Furniture and equipment \$'000	Computer and office equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost:						
At 31 December 2018	748	–	121	259	3,127	4,255
Impart on initial application of HKFRS 16 (Note)	–	612	–	261	–	873
At 1 January 2019 (restated)	748	612	121	520	3,127	5,128
Additions	–	–	–	58	1,734	1,792
At 31 December 2019 and 1 January 2020	748	612	121	578	4,861	6,920
Additions	–	653	–	8	39	700
Disposals	–	–	–	–	(700)	(700)
At 30 June 2020	<u>748</u>	<u>1,265</u>	<u>121</u>	<u>586</u>	<u>4,200</u>	<u>6,920</u>
Accumulated depreciation:						
At 31 December 2018 and 1 January 2019	409	–	74	137	2,623	3,243
Charge for the year	149	408	24	129	304	1,014
At 31 December 2019 and 1 January 2020	558	408	98	266	2,927	4,257
Charge for the period	75	340	11	66	325	817
Written back on disposal	–	–	–	–	(700)	(700)
	<u>633</u>	<u>748</u>	<u>109</u>	<u>332</u>	<u>2,552</u>	<u>4,374</u>
Net book value:						
At 31 December 2019	<u>190</u>	<u>204</u>	<u>23</u>	<u>312</u>	<u>1,934</u>	<u>2,663</u>
At 30 June 2020	<u>115</u>	<u>517</u>	<u>12</u>	<u>254</u>	<u>1,648</u>	<u>2,546</u>

Note:

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

		30 June 2020 \$'000 (unaudited)	31 December 2019 \$'000 (audited)
Other properties leased for own use, carried at depreciated cost	<i>(i)</i>	516	204
Motor vehicles carried at depreciated cost	<i>(ii)</i>	1,557	1,860
Computer and office equipment carried at depreciated cost	<i>(ii)</i>	146	184
		2,219	2,248

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

		30 June 2020 \$'000 (unaudited)	31 December 2019 \$'000 (audited)
Depreciation charge of right-of-use assets by class of underlying asset:			
Other properties leased for own use		340	408
Motor vehicles		303	209
Computer and office equipment		39	77
		682	694
Interest on lease liabilities		39	49

During the period, additions to right-of-use assets were \$653,000. This is related to the capitalised lease payments payable under new tenancy agreement.

(i) Other properties leased for own use

The Group has obtained the right to use other property as its office premises through a tenancy agreement. The lease typically run for an initial period of 2 years.

The lease does not include an option to renew the lease for an additional period after the end of the contract term.

(ii) Other leases

The Group leases motor vehicles and office equipment under leases expiring from 1 to 4 years. Leases include an option to purchase the leased motor vehicles and office equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

11. TRADE AND OTHER RECEIVABLES

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Trade receivables, net of loss allowance	35,951	33,241
Deposits, prepayment and other receivables	555	690
Retention receivables	25,608	19,409
	62,114	53,340

At 30 June 2020 and 31 December 2019, the amounts expected to be recovered after more than one year are HK\$16,171,000 and HK\$10,514,000 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 2020 and 31 December 2019, 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 allowances, is as follows:

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Within 1 month	31,212	32,073
1 to 3 months	171	968
Over 3 months	4,568	200
	35,951	33,241

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

12. TRADE AND OTHER PAYABLES

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Trade payables	9,613	7,741
Accrued subcontracting costs	2,229	5,137
Other payables and accruals	1,729	4,993
	13,571	17,871

At 30 June 2020 and 31 December 2019, the ageing analysis of trade payables, based on the invoice date, is as follows:

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Within 1 month	6,199	6,537
1 to 2 months	2,748	1,094
2 to 3 months	488	53
Over 3 months	178	57
	<u>9,613</u>	<u>7,741</u>

13. SHARE CAPITAL

The share capital of the Company as at 30 June 2020 and 31 December 2019 is as follows:

	Number of shares	<i>HK\$'000</i>
Authorised ordinary shares of \$0.01 each At 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	<u>5,000,000,000</u>	<u>50,000</u>
Ordinary shares, Issued and fully paid At 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	<u>1,000,000,000</u>	<u>10,000</u>

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.

14. CONTINGENT LIABILITIES

At 30 June 2020, 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 2019: HK\$1,880,000).

15. IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position. The Group has been closely monitoring the impact of the developments on the Group's business and has put in place precautionary measures at its areas of operation and will keep these precautionary measures under review as the situation evolves. Given the uncertainties of the development of the epidemic, the full impact on the Group's 2020 results could not be reasonably estimated at this stage.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an established HVAC electrical and mechanical (the “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, securing the positioning in the property development value chain and acquiring new business opportunities directly with property developers and/or their designated main contractors.

As a listed company in Hong Kong, the Group can have more financing channels to raise funds to fulfil capital needs. The Listing position with a long business history in Hong Kong 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							
	2020				2019			
	Revenue		Gross	Gross	Revenue		Gross	Gross
	HK\$’000	%	profit	profit	HK\$’000	%	profit	profit
	(unaudited)		HK\$’000	margin	(unaudited)		HK\$’000	margin
			(unaudited)	%			(unaudited)	%
Installation services only	34,213	41%	5,383	16%	22,681	55%	5,874	26%
Installation services with HVAC systems procurement	48,552	59%	8,218	17%	18,411	45%	4,807	26%
	<u>82,765</u>	<u>100%</u>	<u>13,601</u>	<u>16%</u>	<u>41,092</u>	<u>100%</u>	<u>10,681</u>	<u>26%</u>

By timing of revenue recognition:

	Six months ended 30 June			
	2020		2019	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
Services transferred over time	53,903	65%	36,992	90%
Products transferred at a point in time	28,862	35%	4,100	10%
	82,765	100%	41,092	100%

During the Reporting Period, the Group's revenue increased by approximately HK\$41,673,000 or approximately 101.4% to HK\$82,765,000 (Corresponding Period: approximately HK\$41,092,000).

The increase was primarily attributable to a large scale project with substantial portion of contract revenue recorded during the Reporting Period in accordance with the respective project execution progress.

Cost of services

	Six months ended 30 June			
	2020		2019	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
Subcontracting fees	21,747	31%	11,966	39%
Materials and consumables	34,691	50%	8,453	28%
Direct labour	10,843	16%	8,285	27%
Others	1,883	3%	1,707	6%
Total	69,164	100%	30,411	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\$38,753,000 or 127.4% to approximately HK\$69,164,000 for the Reporting Period, as compared to approximately HK\$30,411,000 for the Corresponding Period. The increase was mainly due to the additional subcontracting services, usage of material and consumables and labour costs were required during the Reporting Period. The HVAC systems procurement increased by approximately HK\$30,141,000 or 163.7% to approximately HK\$48,552,000 for the Reporting Period (Corresponding Period: approximately HK\$18,411,000) 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\$2,920,000 or 27.3% from approximately HK\$10,681,000 for the Corresponding Period to approximately HK\$13,601,000 for the Reporting Period.

The lower gross profit margin for the Reporting Period was mainly because of the additional subcontracting services, usage of material and consumables and labour costs were required during the Reporting Period.

Other income

The other income mainly consisted of bank interest income and other services income principally included repairing services recognised for the Reporting Period.

Administrative expenses

Administrative expenses mainly comprised of staff costs, meals and entertainment expenses, depreciation expenses, transportation expenses and others. Administrative expenses increased from approximately HK\$9,321,000 for the Corresponding Period to approximately HK\$13,626,000 for the Reporting Period. The increase of administrative expenses of the Group was mainly due to the increase in staff costs.

Finance costs

Finance costs of approximately HK\$46,000 for the Reporting Period represented interest expenses on bank overdrafts and lease liabilities.

Income tax expenses

For the Reporting Period and Corresponding Period, the income tax expenses were approximately HK\$379,000 and HK\$518,000, respectively.

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\$1,812,000 and HK\$1,908,000, respectively.

Interim dividend

The Board does not recommend any interim dividend for the Reporting Period (Corresponding Period: nil).

Trade and other receivables

Trade receivables increased by 8.2% from approximately HK\$33,241,000 as at 31 December 2019 to approximately HK\$35,951,000 as at 30 June 2020.

Retention receivables increased by HK\$6,199,000 from approximately HK\$19,409,000 as at 31 December 2019 to approximately HK\$25,608,000 as at 30 June 2020. The increase in retention receivables was in line with the progress of the projects.

Other receivables decreased by HK\$135,000 from approximately HK\$690,000 as at 31 December 2019 to approximately HK\$555,000 as at 30 June 2020. The decrease was mainly due to the decrease in interest receivables for time deposits.

Trade and other payables

Trade payables increased by 24.2% from approximately HK\$7,741,000 as at 31 December 2019 to approximately HK\$9,613,000 as at 30 June 2020. The increase was mainly due to the purchase of HVAC systems for projects installation near to the end of the Reporting Period.

Other payables and accruals decreased by HK\$3,264,000 from approximately HK\$4,993,000 as at 31 December 2019 to approximately HK\$1,729,000 as at 30 June 2020. The amount decreased mainly due to the accrual of staff bonus as at 31 December 2019.

FUTURE PROSPECTS

Despite the recent local social turbulence and US-Mainland trade conflict, the Group constantly shows perseverance in its development and its ability to obtain new projects. As a result of our enduring hard work, 3 new projects of total contract sum of approximately HK\$98.8 million were awarded to the Group during the Reporting Period. In addition, the Group will continue to further sharpen our competitive edges and enhance our budget control management in order to deliver greater value for our shareholders.

Competition is expected to remain keen, with profit margin tightening due to rising labour cost, rising operating cost and strong competition in the market. Nevertheless, as construction activity remains resilient, our management's strong capabilities and track record are expected to enable us to be competitive in these potential tenders. In addition, we are constantly evaluating our team and fleet to ensure that we are optimizing our competitiveness.

The outbreak of the new coronavirus disease has had profound effects all over the world and on all kind of business and industries. The epidemic has also had significant impacts on traffic of people and materials around the world and thus has brought uncertainty to the supply of equipment and construction materials to the Group. This may slowdown the Group's projects construction progress. The severe impact of the epidemic on the economy may affect the opportunity of the Group to be awarded projects in the upcoming financial year. The Group will closely monitor the situation and take appropriate measures to ensure that the Group can operate efficiently, whilst making sure the health and safety of all the employees were protected.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2020, 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 10.7 times (31 December 2019: approximately 7.8 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 2020 were placed as interest bearing deposits with licensed bank in Hong Kong.

CAPITAL STRUCTURE

Details of the Company's share capital are set out in Note 13 to the unaudited consolidated financial statements in this interim announcement.

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 1.2% as at 30 June 2020 (As at 31 December 2019: 2.1%).

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 not applicable due to the Group recorded net cash position as at 30 June 2020.

CAPITAL EXPENDITURE

During the six months ended 30 June 2020, the Group invested approximately HK\$700,000 (Corresponding Period: approximately HK\$8,000) in property, plant and equipment, mainly represented properties leased for own use.

CAPITAL COMMITMENTS

As at 30 June 2020, the Group had no significant capital commitments.

CONTINGENT LIABILITIES

Save as disclosed in note 14 to the condensed consolidated interim financial statements, the Group had no contingent liabilities as at 30 June 2020.

SUBSEQUENT EVENT

There is no material subsequent event undertaken by the Company or by the Group after 30 June 2020 and up to the date of this announcement.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2020, the Group's obligations under finance leases were secured by motor vehicles.

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.

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

As at 30 June 2020, the Group employed 81 employees (31 December 2019: 70 employees) with total staff cost (including Director's emoluments) of approximately HK\$14,535,000 incurred for the Reporting Period (Corresponding Period: approximately HK\$11,326,000). 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 11 July 2018, the shares of the Company were successfully listed on the Stock Exchange, (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.

USE OF PROCEEDS

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

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

	Net proceeds <i>HK\$'000</i>	Utilised <i>HK\$'000</i>	Unutilised <i>HK\$'000</i>	Expected timeline
Procurement of HVAC systems	87,654	57,873	29,781	End of 2021
Taking out surety bonds	4,608	1,880	2,728	End of 2021
General working capital	10,138	10,138	–	–
	<u>102,400</u>	<u>69,891</u>	<u>32,509</u>	

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 maximise 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://www.manshungroup.com.hk>) and the Stock Exchange's website (<https://www.hkexnews.hk>). The 2020 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, 21 August 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. Lau Yu Ching, Mr. Law Chung Lam, Nelson and Mr. Pang Kam Fai, Dickson.