



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

2018
Interim Report

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

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

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Share capital HK\$'000	Merger reserve HK\$'000	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2018 (audited)	-*	2,010	2	46,165	48,177
Profit and total comprehensive income for the year	-	-	-	10,025	10,025
Dividends (Note 9)	-	-	-	(18,000)	(18,000)
At 30 June 2018 (unaudited)	-*	2,010	2	38,190	40,202
At 1 January 2017 (audited)	2	2,010	-	22,761	24,773
Profit and total comprehensive income for the year	-	-	-	7,755	7,755
Arising from reorganisation	(2)	-	2	-	-
At 30 June 2017 (unaudited)	-*	2,010	2	30,516	32,528

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Operating activities		
Profit before tax	13,547	10,249
Adjustments for:		
Finance costs	(306)	152
Depreciation of plant and equipment	359	439
Gain on disposal of plant and equipment	(24)	(7)
Written off of plant and equipment	–	131
Interest income	(1)	(3)
Operating cash flows before movements in working capital	13,575	10,961
Decrease (increase) in trade and other receivables	17,804	(10,629)
Changes in contract assets/liabilities	(5,152)	(8,747)
Increase in trade and other payables	1,565	1,585
Cash generated from (used in) operations	27,792	(6,830)
Income tax refund (paid)	20	(290)
Net cash from/(used in) operating activities	27,812	(7,120)
Investing activities		
Interest received	1	3
Payment for purchase of plant and equipment	(147)	(33)
Proceeds from disposal of plant and equipment	50	133
Decrease in pledged bank deposits	–	1,252
Net cash (used in)/from investing activities	(96)	1,355

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2018

	Six months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Financing activities		
Interest on bank loans and overdrafts paid	306	(152)
Advance to (repayment from) a director	(3,328)	445
Repayment of bank loans	(6,431)	(2,019)
Repayment of obligations under finance leases	(162)	(1,011)
Net cash used in financing activities	(9,615)	(2,737)
Net increase/(decrease) in cash and cash equivalents	18,101	(8,502)
Cash and cash equivalents at the beginning of period	(10,814)	9,922
Represented by cash at banks and on hand, cash and cash equivalents at the end of period	7,287	1,420

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

2. GROUP REORGANISATION

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. 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**”). It was authorised for issue on 27 August 2018.

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

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that reflect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 historical financial information and disclosed in the Accountants’ Report. The condensed consolidated interim financial statements, and notes thereon do not include all the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. CHANGES IN ACCOUNTING POLICIES

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

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

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

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

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received or receivable from the service contracts by the Group to external customers. The Group’s operation is solely derived from HVAC Business in Hong Kong during the reporting periods. For the purpose of resources allocation and performance assessment, the chief operating decision maker reviews the overall results and financial position of the Group as a whole prepared based on same accounting policy. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue is disaggregated as follows:

By timing of revenue recognition:

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Products transferred at a point in time	10,911	1,653
Services transferred over time	75,002	44,444
	85,913	46,097

By type of services:

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

Geographical information

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. OTHER INCOME

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

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
(a) Finance costs		
Interest on bank loans	188	47
Interest on bank overdrafts	105	65
Finance charges on obligations under finance leases	13	40
	306	152

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. PROFIT BEFORE TAXATION *(Continued)*

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	11,124	12,550
Contributions to defined contribution retirement plan	432	475
	11,556	13,025
(c) Other items		
Depreciation	359	439
Operating lease charges:		
minimum lease payment	210	210
Loss on disposal of plant and equipment	–	131

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. INCOME TAX EXPENSE

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

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

9. DIVIDENDS

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

10. EARNINGS PER SHARE

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. PLANT AND EQUIPMENT

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLES

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

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

(a) Ageing analysis

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

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Within 1 month	4,862	26,314
1 to 2 months	–	1,029
2 to 3 months	500	–
Over 3 months	35	16
	5,397	27,359

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Impairment of trade receivables

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

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

(c) Trade receivables that are not impaired

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. CONTRACT ASSETS AND LIABILITIES

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Contract assets	33,911	29,194
Contract liabilities	(1,273)	(1,707)
	32,638	27,487

14. TRADE AND OTHER PAYABLES

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. TRADE AND OTHER PAYABLES *(Continued)*

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

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Within 1 month	3,106	3,280
1 to 2 months	1,612	2,398
2 to 3 months	208	339
Over 3 months	100	–
	5,026	6,017

15. BANK LOANS AND OVERDRAFTS

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

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Within one year or on demand	14,560	25,581

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. BANK LOANS AND OVERDRAFTS *(Continued)*

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

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Secured bank overdrafts	8,062	12,652
Secured bank loans	6,498	12,929
	14,560	25,581

At 30 June 2018 and 31 December 2017, the banking facilities (including bank loans and overdrafts and performance bonds) granted to the Group were secured by:

- (i) personal guarantee provided by a director of the Company as at 30 June 2018 and 31 December 2017;
- (ii) personal properties owned by a director of the Company as at 30 June 2018 and 31 December 2017; and
- (iii) investment properties held by Most Harvest Development Limited, Rich Home Properties Limited and World Million Development Limited as at 30 June 2018 and 31 December 2017. All of them are related companies of the Company.

At 24 August 2018, all of the outstanding personal guarantees and properties as set out in items (i) to (iii) above are replaced by guarantees of the Company.

Notwithstanding the specified repayment schedules as stated in the facilities letters which allow the loans to be repaid over a period of more than one year, these banking facilities granted to the Group include a clause that gives the banks the unconditional rights to call the bank loans at any time ("**repayment on demand clause**"). The bank loans subject to the repayment on demand clause amounted to HK\$6,498,000 and HK\$12,929,000 as at 30 June 2018 and 31 December 2017 and respectively were classified as current liabilities in the consolidated statements of financial position.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

16. OBLIGATIONS UNDER FINANCE LEASES

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

17. SHARE CAPITAL

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

18. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Capitalisation issue

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

(b) Initial public offering

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an established HVAC E&M engineering services provider in Hong Kong with a long business history dating back to 1996. The Group generally focus on serving new residential property developments projects as a first-tier or second-tier subcontractor in Hong Kong. The HVAC E&M engineering services typically involve installation of HVAC systems, which refers to heat, ventilation and air-conditioning systems.

The Group is registered as a Registered Electrical Contractor under EMSD, a minor works contractor (company) of Type A (Classes II and III), Type D (Classes II and III) and Type E (Classes II and III) under the Building Authority and a registered subcontractor under the Subcontractor Registration Scheme operated by the Construction Industry Council.

In order to strengthen the market position as a prime HVAC E&M engineering services provider and become the preferred choice of first-tier HVAC E&M engineering subcontractor for property developers in Hong Kong, the Group continues to strengthen the financial management and licensing qualifications, securing the positioning in the property development value chain and acquiring new business opportunities directly with property developers and/or their designated main contractors.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

By type of services:

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

By timing of revenue recognition:

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Cost of services

	Six months ended 30 June			
	2018		2017	
	HK\$'000 (unaudited)	%	HK\$'000 (unaudited)	%
Subcontracting fees	25,660	46%	9,985	43%
Materials and consumables	23,228	41%	5,623	24%
Direct labour	5,622	10%	6,572	28%
Others	1,534	3%	1,239	5%
Total	56,044	100%	23,419	100%

The Group's cost of services mainly represented cost of HVAC systems and other ancillary consumables such as pipes and fittings, and subcontracting charges for completing on-site works. The cost of services increased by approximately HK\$32,625,000 or 139.3% to approximately HK\$56,044,000 for the Reporting Period, as compared to approximately HK\$23,419,000 for the Corresponding Period. The increase was primarily attributable to a number of large scale projects with substantial portion of contract revenue undertaking during the Reporting Period which demanded additional subcontracting service and usage of material and consumables. The HVAC systems procurement is increased by approximately HK\$8,737,000 or 764.4% to approximately HK\$9,880,000 for the Reporting Period (Corresponding Period: approximately HK\$1,143,000) due to the increase in demand for installation services with HVAC systems procurement.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

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

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

Other income

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

Administrative expenses

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

Listing expenses

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

Finance costs

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

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expenses

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

Profit and total comprehensive income attributable to owners of the Company

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

Dividend

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

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

Trade and other receivables

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and other payables

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

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

FUTURE PROSPECTS

Looking forward, the Group will further expand the service capabilities to capture business opportunities and provide customers with comprehensive HVAC E&M engineering services with a prudent financial management strategy, pursuing a long-term healthy business growth and stable return to the shareholders.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

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

CAPITAL STRUCTURE

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

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

FINANCIAL POLICIES

The Group is exposed to liquidity risk in respect of settlement of its trade payables and financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

The Group's gearing ratio, which is calculated based on the total debt divided by total equity (defined as the sum of bank borrowings and obligation under finance leases as at the respective period/year end divided by total equity as at the respective corresponding periods) was approximately 37.4% as at 30 June 2018 (As at 31 December 2017: 54.4%).

The Group's debt to equity ratio, which is calculated based on the total debt (defined as the sum of bank borrowings and obligation under finance leases minus cash and cash equivalents as at the respective period/year end divided by total equity as at the respective corresponding periods) was net cash as at 30 June 2018 (As at 31 December 2017: 50.6%).

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

CAPITAL EXPENDITURE

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

CAPITAL COMMITMENTS

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

CHARGES ON THE GROUP'S ASSETS

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

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have other future plans for material investments or capital assets.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars. The Group is not significantly exposed to foreign currency risk arising from monetary assets and liabilities that are denominated in currencies other than the functional currencies of the respective group entities.

The Group currently does not have a foreign currency hedging policy as the foreign currency risk is considered to be insignificant. However, the management will continue to closely monitor the Group's foreign exchange risk exposure and will consider hedging significant foreign exchange exposure when necessary.

INFORMATION ON EMPLOYEES

As at 30 June 2018, the Group employed 79 employees (31 December 2017: 81 employees) with total staff cost of approximately HK\$11,556,000 incurred for the Reporting Period (Corresponding Period: HK\$13,025,000). The Group's remuneration packages are generally structured with reference to market terms and individual merits.

MANAGEMENT DISCUSSION AND ANALYSIS

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 report.

COMPETING INTEREST

Since the Listing Date and up to the date of this report, none of the Directors or the Controlling Shareholders of the Company or their close associates is interested in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

INTEREST OF THE COMPLIANCE ADVISER

As notified by Messis Capital Limited (**“Messis”**), the Company’s compliance adviser, save for the compliance agreement entered into between the Company and Messis in connection with the Listing, neither of Messis or its directors, employees or close associates had any interest in the Group as at 30 June 2018 and up to the date of this report, which is required to be notified to the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

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 report:

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

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

OTHER INFORMATION

DISCLOSURE OF INTEREST

Directors' and chief executive's interests and short positions in Shares and underlying Shares and debentures of the Company and its associated corporations

The Company was only listed on the Stock Exchange on 11 July 2018, no disclosure of interests or short positions of any Directors and/or chief executives of the Company in any shares of the Company (the “**Shares**”), underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) were made to the Company under the provisions of Divisions 7 and 8 of Part XV of the SFO as at 30 June 2018.

As extracted from the Prospectus, upon the Company's Listing on 11 July 2018, the interests and short positions of the Directors or the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) contained in Appendix 10 to the Rules Governing the Listing of Securities of the Stock Exchange (“**Listing Rules**”), will be as follows:

OTHER INFORMATION

(i) Long positions in the Share

Name of Director	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Cheung Yuen Tung ("Tony Cheung") (note)	Interest in controlled corporation	750,000,000	75%
Mr. Cheung Yuen Chau ("Gary Cheung") (note)	Interest in controlled corporation	750,000,000	75%

Note: Prime Pinnacle Limited ("Prime Pinnacle") is beneficially owned as to 51% by Mr. Tony Cheung and 49% by Mr. Gary Cheung. On 12 March 2018, Mr. Tony Cheung and Mr. Gary Cheung entered into the concert party deed to acknowledge and confirm, among other things, that they are parties acting in concert and are deemed to be interested in the shares held by Prime Pinnacle.

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of share(s) held	Approximate percentage of shareholding
Mr. Tony Cheung (note)	Prime Pinnacle	Beneficial owner	51	51%
Mr. Gary Cheung (note)	Prime Pinnacle	Beneficial owner	49	49%

Note: Prime Pinnacle is the direct shareholder of the Company and is an associated corporation within the meaning of Part XV of the SFO.

OTHER INFORMATION

Substantial shareholders' interests and short positions in shares and underlying shares of the Company

As at 30 June 2018, so far as the Directors are aware, the interest and short position of the persons, other than a director or the chief executive of the Company, in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name of shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding
Prime Pinnacle (<i>note 1</i>)	Beneficial owner	750,000,000	75%
Ms. Chan Ho Fung (<i>note 2</i>)	Interest of spouse	750,000,000	75%
Ms. Cheng Phyllis Woon Kink (<i>note 3</i>)	Interest of spouse	750,000,000	75%

Notes:

- (1) Prime Pinnacle is beneficially owned as to 51% by Mr. Tony Cheung and 49% by Mr. Gary Cheung. On 12 March 2018, Mr. Tony Cheung and Mr. Gary Cheung entered into the concert party deed to acknowledge and confirm, among other things, that they are parties acting in concert and are deemed to be interested in the Shares held by Prime Pinnacle.
- (2) Ms. Chan Ho Fung is the spouse of Mr. Tony Cheung. Accordingly, Ms. Chan Ho Fung is deemed or taken to be interested in the shares in which Mr. Tony Cheung is interested under the SFO.
- (3) Ms. Cheng Phyllis Woon Kink is the spouse of Mr. Gary Cheung. Accordingly, Ms. Cheng Phyllis Woon Kink is deemed or taken to be interested in the shares in which Mr. Gary Cheung is interested under the SFO.

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 (including executive Directors, non-executive Directors and independent non-executive Directors), 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 Directors were authorised to grant options to subscribe for shares of the Company and to allot, issue and deal with the shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme. The maximum number of shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not, in aggregate, exceed 10% of the total number of shares in issue immediately following completion of the Global Offering (as defined in the Prospectus dated 28 June 2018), being 1,000,000,000 shares, excluding any shares that may be issued under the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company), unless otherwise approved by the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time.

Unless otherwise approved by the shareholders of the Company in general meeting, the number of shares that may be granted to an eligible participant under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 1% of the shares in issue of the Company within any 12-month period. Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors. Unless otherwise approved by the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules, the number of shares that may be granted to a substantial shareholder or any independent non-executive Director or their respective associates under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 0.1% of the shares in issue, having an aggregate value in excess of HK\$5 million, within any 12-month period.

OTHER INFORMATION

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

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

In the Reporting Period, the Shares have not been listed on the Stock Exchange, nor were there any other listed securities issued by the Company or any of its subsidiaries. From the Listing Date up to the date of this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

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

OTHER INFORMATION

EVENT AFTER THE REPORTING PERIOD

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

(a) Capitalisation issue

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

(b) Initial public offering

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

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

As the Shares have not been listed on the Stock Exchange as at 30 June 2018, the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules was not applicable to the Company for the Reporting Period. The Company has adopted the Model Code as rules governing dealings by the Directors in the listed securities of the Company on 8 June 2018. Based on specific enquiry with the Directors, all the Directors have complied with the required standards as set out in the Model Code since the Listing Date and up to the date of this report.

OTHER INFORMATION

AUDIT COMMITTEE

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 REPORT ON THE INTERNET

The interim report will be available from Group's website at www.manshungroup.com.hk/investor_relations.htm and the Stock Exchange's website at www.hkexnews.hk on or before 26 September 2018. The interim report for the Reporting Period containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and will be published on the aforesaid websites of the Company and the Stock Exchange in due course in accordance with the Listing Rules.

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

Hong Kong, 27 August 2018

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