

# 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



2020

Interim  
Report

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. CHEUNG Yuen Tung (*Chairman*)  
Mr. CHEUNG Yuen Chau

#### Independent non-executive Directors

Mr. PANG Kam Fai, Dickson  
Mr. LAW Chung Lam, Nelson  
Mr. LAU Yu Ching

### AUDIT COMMITTEE

Mr. LAU Yu Ching (*Chairman*)  
Mr. PANG Kam Fai, Dickson  
Mr. LAW Chung Lam, Nelson

### REMUNERATION COMMITTEE

Mr. PANG Kam Fai, Dickson (*Chairman*)  
Mr. LAU Yu Ching  
Mr. LAW Chung Lam, Nelson

### NOMINATION COMMITTEE

Mr. LAW Chung Lam, Nelson (*Chairman*)  
Mr. PANG Kam Fai, Dickson  
Mr. LAU Yu Ching

### AUTHORISED REPRESENTATIVE

Mr. CHEUNG Yuen Tung  
Ms. LO Wan Man

### COMPANY SECRETARY

Ms. LO Wan Man

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Nanyang Commercial Bank, Limited

### AUDITOR

KPMG  
*Certified Public Accountants  
Public Interest Entity Auditor registered in  
accordance with the Financial Reporting  
Council Ordinance*  
8th Floor, Prince's Building  
10 Chater Road  
Central  
Hong Kong

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1908, 19th Floor  
Cheung Fung Industrial Building  
Nos. 23-39 Pak Tin Par Street  
Tsuen Wan, New Territories  
Hong Kong

### HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### STOCK CODE

01746

### COMPANY'S WEBSITE

<http://www.manshungroup.com.hk>

## 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

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
<b>Non-current asset</b>			
Property, plant and equipment	10	2,546	2,663
<b>Current assets</b>			
Trade and other receivables	11	62,114	53,340
Contract assets	12	20,820	29,442
Pledged bank deposits		1,880	1,880
Cash at bank and in hand		94,002	99,208
		<b>178,816</b>	183,870
<b>Current liabilities</b>			
Trade and other payables	13	13,571	17,871
Contract liabilities	12	535	1,275
Bank overdrafts	14	–	1,347
Lease liabilities		993	929
Tax payable		1,657	2,179
		<b>16,756</b>	23,601
<b>Net current assets</b>		<b>162,060</b>	160,269
<b>Total assets less current liabilities</b>		<b>164,606</b>	162,932
<b>Non-current liabilities</b>			
Lease liabilities		965	1,103
Deferred tax liabilities		230	230
		<b>1,195</b>	1,333
<b>Net assets</b>		<b>163,411</b>	161,599
<b>Capital and reserves</b>			
Share capital	15	10,000	10,000
Reserves		153,411	151,599
<b>Equity attributable to shareholders</b>		<b>163,411</b>	161,599

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2020*

	Share capital <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2020 (Audited)	10,000	2,010	107,850	41,739	161,599
Profit and total comprehensive income for the period	-	-	-	1,812	1,812
<b>At 30 June 2020 (Unaudited)</b>	<b>10,000</b>	<b>2,010</b>	<b>107,850</b>	<b>43,551</b>	<b>163,411</b>
At 31 December 2018 (Audited)	10,000	2,010	107,850	40,746	160,606
Impact on initial application of HKFRS16 ( <i>Note</i> )	-	-	-	(14)	(14)
Adjusted balance at 1 January 2019	10,000	2,010	107,850	40,732	160,592
Profit and total comprehensive income for the period	-	-	-	1,908	1,908
At 30 June 2019 (Unaudited)	10,000	2,010	107,850	42,640	162,500

*Note:*

The Group has initially applied HKFRS16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 30 June 2020

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Operating activities</b>		
Profit before tax	<b>2,191</b>	2,426
Adjustments for:		
Finance costs	<b>46</b>	96
Depreciation of property, plant and equipment	<b>135</b>	262
Depreciation of right-of-use assets	<b>682</b>	151
Gain on disposal of property, plant and equipment	<b>50</b>	–
Interest income	<b>(628)</b>	(848)
Operating cash flows before movements in working capital	<b>2,476</b>	2,087
(Increase)/decrease in trade and other receivables	<b>(8,756)</b>	9,017
Net movement in contract assets/contract liabilities	<b>7,882</b>	5,059
Decrease in trade and other payables	<b>(4,300)</b>	(5,108)
Cash (used in)/generated from operations	<b>(2,698)</b>	11,055
Hong Kong profits tax paid	<b>(901)</b>	–
<b>Net cash (used in)/generated from operating activities</b>	<b>(3,599)</b>	11,055
<b>Investing activities</b>		
Interest received	<b>560</b>	848
Payment for purchase of property, plant and equipment	<b>(47)</b>	(8)
<b>Net cash generated from investing activities</b>	<b>513</b>	840
<b>Financing activities</b>		
Interest on bank loans and overdrafts paid	<b>(7)</b>	(11)
Repayment of bank loans	<b>–</b>	(267)
Capital element of lease rental paid	<b>(727)</b>	(291)
Interest element of lease rental paid	<b>(39)</b>	(85)
<b>Net cash used in financing activities</b>	<b>(773)</b>	(654)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,859)</b>	11,241
Cash at bank and in hand	<b>99,208</b>	107,391
Bank overdrafts ( <i>Note 14</i> )	<b>(1,347)</b>	(876)
<b>Cash and cash equivalents at the beginning of period</b>	<b>97,861</b>	106,515
<b>Cash and cash equivalents at the end of period</b>	<b>94,002</b>	117,756

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and listed on the Main Board of The Stock Exchange of Hong Kong (the “**Stock Exchange**”).

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 and explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 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.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 4. REVENUE AND SEGMENT INFORMATION *(Continued)*

By type of services:

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

#### Geographical information

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

### 5. OTHER INCOME

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (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
	<b>2,262</b>	1,162

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

#### a. Finance costs

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

#### b. Staff costs (including directors' emoluments)

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

#### c. Other items

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 7. INCOME TAX EXPENSE

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

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 (2019: 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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 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
<b>Cost:</b>						
At 31 December 2018	748	–	121	259	3,127	4,255
Impact 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	748	1,265	121	586	4,200	6,920
<b>Accumulated depreciation:</b>						
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)
	633	748	109	332	2,552	4,374
<b>Net book value:</b>						
At 31 December 2019	190	204	23	312	1,934	2,663
At 30 June 2020	115	517	12	254	1,648	2,546

#### 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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 10. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

#### (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)
	<i>Notes</i>		
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
		<b>2,219</b>	<b>2,248</b>

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
	<b>682</b>	<b>694</b>
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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 10. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

#### (b) Right-of-use assets *(Continued)*

##### (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 <i>HK\$'000</i> (unaudited)	31 December 2019 <i>HK\$'000</i> (audited)
Trade receivables, net of loss allowance	35,951	33,241
Deposits, prepayment and other receivables	555	690
Retention receivables	25,608	19,409
	<b>62,114</b>	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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 11. TRADE AND OTHER RECEIVABLES *(Continued)*

#### 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:

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

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

### 12. CONTRACT ASSETS AND LIABILITIES

	<b>30 June 2020 HK\$'000 (unaudited)</b>	31 December 2019 HK\$'000 (audited)
Contract assets	<b>20,820</b>	29,442
Contract liabilities	<b>(535)</b>	(1,275)
	<b>20,285</b>	28,167



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 13. TRADE AND OTHER PAYABLES

	<b>30 June 2020 HK\$'000 (unaudited)</b>	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
	<b>13,571</b>	17,871

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

	<b>30 June 2020 HK\$'000 (unaudited)</b>	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
	<b>9,613</b>	7,741

### 14. BANK OVERDRAFTS

At 30 June 2020 and 31 December 2019, the bank overdrafts were as follows:

	<b>30 June 2020 HK\$'000 (unaudited)</b>	31 December 2019 HK\$'000 (audited)
Bank overdrafts	–	1,347

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 14. BANK OVERDRAFTS *(Continued)*

At 30 June 2020 and 31 December 2019, all banking facilities of the Group are subject to fulfilment of certain conditions, one of these conditions would require Mr. Cheung Yuen Tung and Mr. Cheung Yuen Chau, the Directors of the Group, jointly and severally maintain at least 51% shareholding of the Company. If the Group were to breach the conditions, the drawn down facilities would become repayable on demand. As at 30 June 2020, none of these conditions had been breached.

### 15. SHARE CAPITAL

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

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

### 16. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Rental expenses paid to related companies	350	210

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 17. 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).

### 18. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Revenue

##### By type of services:

	Six months ended 30 June							
	2020				2019			
	Revenue HK\$'000 (unaudited)	%	Gross profit HK\$'000 (unaudited)	Gross profit margin %	Revenue HK\$'000 (unaudited)	%	Gross profit HK\$'000 (unaudited)	Gross profit margin %
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%
	<b>82,765</b>	<b>100%</b>	<b>13,601</b>	<b>16%</b>	<b>41,092</b>	<b>100%</b>	<b>10,681</b>	<b>26%</b>

##### By timing of revenue recognition:

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

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Cost of services

	Six months ended 30 June			
	2020		2019	
	HK\$'000 (unaudited)	%	HK\$'000 (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%
<b>Total</b>	<b>69,164</b>	<b>100%</b>	<b>30,411</b>	<b>100%</b>

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 cost were required during the Reporting Period.

### Other income

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 15 to the unaudited consolidated financial statements in this interim report.

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CAPITAL COMMITMENTS

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

### CONTINGENT LIABILITIES

Save as disclosed in note 17 to the condensed consolidated interim financial statements, the Group had no contingent liabilities as at 30 June 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 report.

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 report.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

### 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 <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	–	–
	102,400	69,891	32,509	

## 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

As at 30 June 2020, the interests or short positions of the Directors and chief executives of the Company in 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") (Cap.571 of the Laws of Hong Kong)) which were required to be: (i) 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 the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, are set out below:

#### (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**

So far as is known to any Director or chief executive of the Company, as at 30 June 2020, the following persons (other than a Director or a chief executive of the Company) had, or were taken or deemed to have interests or short positions in the Shares or underlying shares of the Company which are required to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register kept by the Company pursuant to section 336 of the SFO:

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%
Eneco Investment Pte, Ltd ( <i>note 4</i> )	Beneficial owner	90,000,000	9%
Eneco Investment, Inc ( <i>note 4</i> )	Interest in controlled corporation	90,000,000	9%
Mr. Ishiyama Hisao ( <i>note 4</i> )	Interest in controlled corporation	90,000,000	9%

*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.
- (4) These shares are held by Eneco Investment Pte, Ltd, which is owned as to 100% by Eneco Investment, Inc, which in turn is 100% owned by Mr. Ishiyama Hisao. Therefore, Eneco Investment, Inc and Mr. Ishiyama Hisao are deemed to be interested in the shares held by Eneco Investment Pte, Ltd.

Save as disclosed above, the Company had not been notified by any other persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register kept by the Company pursuant to section 336 of the SFO as at 30 June 2020.

## 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**

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 OF SECURITIES TRANSACTIONS BY DIRECTORS**

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.



## 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.

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

Hong Kong, 21 August 2020