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MAN SHUN GROUP (HOLDINGS) LIMITED

萬順集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1746)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

FINANCIAL HIGHLIGHTS

- The Group recorded revenue of approximately HK\$127,588,000 for the year ended 31 December 2020 (2019: approximately HK\$114,489,000).
- Loss for the year attributable to equity shareholders of the Company for the year ended 31 December 2020 amounted to approximately HK\$8,464,000 (2019: profit of approximately HK\$1,007,000).
- Basic and diluted loss per share for the year ended 31 December 2020 were HK\$0.85 cents (2019: earnings per share HK\$0.10 cents).
- The board of directors does not recommend the payment of final dividend for the year ended 31 December 2020.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Man Shun Group (Holdings) Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>NOTE</i>	Year ended 31 December	
		2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	127,588	114,489
Cost of services		<u>(117,322)</u>	<u>(90,858)</u>
Gross profit		10,266	23,631
Other income	5	6,836	2,312
Administrative expenses		(25,603)	(23,571)
Finance costs	6(a)	<u>(98)</u>	<u>(62)</u>
(Loss)/profit before taxation	6	(8,599)	2,310
Income tax credit/(expense)	7	<u>135</u>	<u>(1,303)</u>
(Loss)/profit and total comprehensive income for the year		<u>(8,464)</u>	<u>1,007</u>
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/earnings per share			
Basic and diluted	9	<u>(0.85)</u>	<u>0.10</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2020	2019
	NOTE	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		3,842	2,663
Current assets			
Trade and other receivables	10	53,297	53,340
Contract assets	11	14,378	29,442
Pledged bank deposits		4,226	1,880
Cash at bank and in hand		92,638	99,208
		164,539	183,870
Current liabilities			
Trade and other payables	12	11,057	17,871
Contract liabilities	11	1,093	1,275
Bank overdrafts		–	1,347
Lease liabilities		1,627	929
Tax payable		–	2,179
		13,777	23,601
Net current assets		150,762	160,269
Total assets less current liabilities		154,604	162,932
Non-current liabilities			
Lease liabilities		1,469	1,103
Deferred tax liabilities		–	230
		1,469	1,333
Net assets		153,135	161,599
Capital and reserves			
Share capital		10,000	10,000
Reserves		143,135	151,599
Total equity		153,135	161,599

NOTES TO THE ANNOUNCEMENT

1. GENERAL INFORMATION

Man Shun Group (Holdings) Limited and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the provision of installation of heat, ventilation and air-conditioning system (the “**HVAC**”) business in Hong Kong. The Company was incorporated in the Cayman Islands on 11 April 2017 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law of 1961, as consolidated and revised) of the Cayman Islands. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 July 2018 (the “**Listing**”).

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the Group’s statutory financial statements for the year ended 31 December 2020, but is derived from those financial statements.

The Group’s financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The measurement basis used in the preparation of the Group’s consolidated financial statements is the historical cost basis.

The financial figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been compared by the Group’s auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group’s draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

3. CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 1, *Definition of Material*

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

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received or receivable from the service contracts by the Group to external customers. The Group's operation is solely derived from provision of HVAC business in Hong Kong during the years ended 31 December 2020 and 2019. For the purpose of resources allocation and performance assessment, the chief operating decision maker reviews the overall results and financial position of the Group as a whole prepared based on same accounting policy. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by timing of revenue recognition and type of services are as follows:

Disaggregated by timing of revenue recognition:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Products transferred at a point in time	39,618	30,979
Services transferred over time	87,970	83,510
	<u>127,588</u>	<u>114,489</u>

Disaggregated by type of services:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Installation services only	37,023	40,996
Installation services with HVAC systems procurements	90,565	73,493
	<u>127,588</u>	<u>114,489</u>

(b) Geographical information

The Company is an investment holding company and the principal place of the Group's operation is in Hong Kong. For the purpose of segment information disclosures under HKFRS 8, the Group regards Hong Kong as its place of domicile. No geographical information is presented as the Group is principally engaged in HVAC business in Hong Kong.

(c) Information about major customers

The Group's customer base includes three (2019: three) customers with whom transactions have exceeded 10% of the Group's revenue. In 2020, revenue from HVAC business with these customers amounted to approximately HK\$103,096,000 (2019: HK\$102,021,000).

5. OTHER INCOME

	2020	2019
	HK\$'000	HK\$'000
Bank interest income	926	1,800
Repair and other service income	1,195	491
Gain on disposal of property, plant and equipment	50	–
Government grants – Employment Support Scheme (<i>note</i>)	3,824	–
Government grants – Others	140	–
Sundry income	701	21
	6,836	2,312

Note: In 2020, the Group successfully applied for funding support of HK\$3,824,000 from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(a) Finance costs		
Interest on bank loans	–	2
Interest on bank overdrafts	6	11
Interest on lease liabilities	92	49
	<u>98</u>	<u>62</u>
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	30,700	24,806
Contributions to defined contribution retirement plan	1,070	897
	<u>31,770</u>	<u>25,703</u>
(c) Other items		
Depreciation		
— owned property, plant and equipment	315	320
— right-of-use assets	1,485	694
	<u>1,800</u>	1,014
Loss allowance on trade and other receivables	1,039	44
	<u>1,039</u>	<u>44</u>

7. INCOME TAX

	2020	2019
	HK\$'000	HK\$'000
Current tax — Hong Kong Profits Tax:		
Provision for the year	–	1,278
Under/(over)-provision in respect of prior years	<u>95</u>	<u>(21)</u>
	95	1,257
Deferred tax		
Origination and reversal of temporary differences	<u>(230)</u>	<u>46</u>
	<u>(135)</u>	<u>1,303</u>

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries in Hong Kong have either sustained losses for tax purpose or their unused tax losses were sufficient to cover their estimated assessable profits for the year ended 31 December 2020.

The provision for Hong Kong Profits Tax for the year ended 31 December 2019 was calculated at 16.5% of the estimated assessable profits for the year, except for one subsidiary of the group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2 million of assessable profits was taxed at 8.25% and the remaining assessable profits were taxed at 16.5%.

The provision for Hong Kong Profits Tax for the year ended 31 December 2019 was taken into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2018-19 subject to a maximum reduction of HK\$20,000 for each business.

8. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

9. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$8,464,000 (2019: profit of HK\$1,007,000) and the weighted average of 1,000,000,000 ordinary shares (2019: 1,000,000,000 ordinary shares) in issue during the year.

(b) Diluted (loss)/earnings per share

The amount of diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share for the years ended 31 December 2020 and 2019 as there were no dilutive potential ordinary shares in issue.

10. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Trade receivables, net of loss allowance	28,228	33,241
Deposits, prepayment and other receivables	629	690
Retention receivables	24,440	19,409
	<u>53,297</u>	<u>53,340</u>

As at 31 December 2020, the amounts expected to be recovered after more than one year is approximately HK\$13,611,000 (2019: HK\$10,514,000). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis

At the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the date of payment certificate and net of loss allowance, is as follows:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Within 1 month	18,501	32,073
1 to 3 months	7,756	968
Over 3 months	1,971	200
	<u>28,228</u>	<u>33,241</u>

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

11. CONTRACT ASSETS AND LIABILITIES

(a) Contract assets

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Arising from performance under installation contracts	<u>14,378</u>	<u>29,442</u>
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables"	<u>52,668</u>	<u>52,650</u>

(b) Contract liabilities

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Installation contracts		
— Billings in advance of performance	<u>1,093</u>	<u>1,275</u>

12. TRADE AND OTHER PAYABLES

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	6,035	7,741
Accrued subcontracting costs	295	5,137
Other payables and accruals	4,727	4,993
	<u>11,057</u>	<u>17,871</u>

All of the trade and other payables are expected to be settled within one year. The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	3,941	6,537
1 to 2 months	1,173	1,094
2 to 3 months	808	53
Over 3 months	113	57
	<u>6,035</u>	<u>7,741</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an established HVAC electrical and mechanical (“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 the Electrical and Mechanical Services Departments of the Government, a minor works contractor (company) of Type A (Classes II and III), Type D (Classes II and III) and Type E (Classes II and III) under the Building Authority and a registered subcontractor under the Subcontractor Registration Scheme operated by the Construction Industry Council.

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

FINANCIAL REVIEW

Revenue

By type of services:

	Year ended 31 December							
	2020				2019			
	Revenue		Gross profit		Revenue		Gross profit	
	HK\$'000	%	HK\$'000	margin	HK\$'000	%	HK\$'000	margin
Installation services only	37,023	29	8,664	23%	40,996	36	10,222	25%
Installation services with HVAC systems procurements	<u>90,565</u>	<u>71</u>	<u>1,602</u>	<u>2%</u>	<u>73,493</u>	<u>64</u>	<u>13,409</u>	<u>18%</u>
	<u>127,588</u>	<u>100</u>	<u>10,266</u>	<u>8%</u>	<u>114,489</u>	<u>100</u>	<u>23,631</u>	<u>21%</u>

By timing of revenue recognition:

	Year ended 31 December			
	2020		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Services transferred over time	87,970	69	83,510	73
Products transferred at a point in time	39,618	31	30,979	27
	127,588	100	114,489	100

During the year ended 31 December 2020, the Group's revenue increased by approximately HK\$13,099,000 or 11.4% to approximately HK\$127,588,000. The increase was primarily attributable to a large scale project with substantial portion of contract revenue recorded during the year in accordance with the respective projects execution progress.

Cost of services

	Year ended 31 December			
	2020		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Subcontracting fees	43,752	37	40,428	44
Materials and consumables	53,018	45	35,976	40
Direct labour	16,302	14	10,651	12
Others	4,250	4	3,803	4
Total	117,322	100	90,858	100

The Group's cost of services mainly represented the cost of HVAC systems and other ancillary consumables such as pipes and fittings and subcontracting charges for completing on-site works. The cost of services increased by approximately HK\$26,464,000 or 29.1% to approximately HK\$117,322,000 for the year ended 31 December 2020, as compared to approximately HK\$90,858,000 for the year ended 31 December 2019. The increase was mainly due to the additional subcontracting services, usage of material and consumables and labour costs were required during the year.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK\$13,365,000 or 56.6% from approximately HK\$23,631,000 for the year ended 31 December 2019 to approximately HK\$10,266,000 for the year ended 31 December 2020. The Group's gross profit margin decreased from approximately 20.6% for the year ended 31 December 2019 to approximately 8.0% for the year ended 31 December 2020. The decrease in the gross profit margin was mainly because of the additional subcontracting services, usage of material and consumables and labour costs were required during the year.

Other income

The other income mainly consisted of government grants, bank interest income and other services income, which principally included repairing services recognised for the year ended 31 December 2020.

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\$23,571,000 for the year ended 31 December 2019 to approximately HK\$25,603,000 for the year ended 31 December 2020. The increase in administrative expenses of the Group was mainly due to the increase in loss allowance on trade and other receivables of approximately HK\$1,039,000 and the cost incurred for repairs and other services of approximately HK\$704,000.

Finance costs

Finance costs of approximately HK\$98,000 for the year ended 31 December 2020 represented interest expenses on bank overdrafts and lease liabilities.

Income tax

For the year ended 31 December 2020, income tax credit was approximately HK\$135,000 (2019: income tax expenses approximately HK\$1,303,000).

Total comprehensive income attributable to equity shareholders of the Company

For the year ended 31 December 2020, the Group's loss and total comprehensive income attributable to equity shareholders of the Company was approximately HK\$8,464,000 (2019: profit and total comprehensive income of approximately HK\$1,007,000). The decrease in financial results was primarily attributable to additional costs incurred for a substantial project situated nearby the Tai Wai mass transit station (the "**Tai Wai Project**"). The construction progress of the Tai Wai Project was adversely affected and caused delay due to the substantial subsidence event previously. The resumption of the Tai Wai Project required more labour forces, subcontracting services, monitoring and testing measures to carry on the construction progress which led to the significant decrease in the Group's financial results for the year ended 31 December 2020.

Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

Trade and other receivables

Trade receivables decreased by approximately HK\$5,013,000 from approximately HK\$33,241,000 as at 31 December 2019 to approximately HK\$28,228,000 as at 31 December 2020. As at 31 December 2019, the trade receivables balance included a payment certificate of approximately HK\$18,000,000 issued near the end of the financial year which contributed to a larger trade receivable balance when compared with that as at 31 December 2020.

Retention receivables increased by approximately HK\$5,031,000 from approximately HK\$19,409,000 as at 31 December 2019 to approximately HK\$24,440,000 as at 31 December 2020. The increase in retention receivables was in line with the progress of the projects.

Other receivables decreased by approximately HK\$61,000 from approximately HK\$690,000 as at 31 December 2019 to approximately HK\$629,000 as at 31 December 2020.

Trade and other payables

Trade payables decreased by approximately HK\$1,706,000 from approximately HK\$7,741,000 as at 31 December 2019 to approximately HK\$6,035,000 as at 31 December 2020. The decrease was mainly due to the Group made substantial payment to the subcontractors and vendors near the end of 2020.

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.

The Group also seeking opportunities to wholly or partially acquire equity interests of a company in the People's Republic of China with businesses resembling that of the Group with the required and relevant licenses in order to develop business prospects and obtain more projects.

In order to expand the professional talent pool, the Group will continue to strengthen its human resources and focus on the training of talents to build a team with outstanding members and will employ chartered engineers with relevant experience in the specialty of ventilation works, assistant engineers, foreman, draftsman and quantity surveyor (depending on the pace of the business growth) to fulfil the application requirements for, and to acquire the qualification as registered specialist contractor in the ventilation works category under the Buildings Department.

Despite the adverse commercial environment and the overall uncertainties in the recent times, the Group will constantly show perseverance in its development and its ability to obtain new projects. As a result of the endure hard work by the management, six new projects of total contract sum of approximately HK\$119 million were awarded to the Group during the year. In addition, the Group will continue to enhance its budget management, upgrade its ability in plan execution and budget control in order to further improve its management standard and secure stable and sustainable development of the Group.

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group had net current assets of approximately HK\$150,762,000 as at 31 December 2020 (2019: approximately HK\$160,269,000). The quick ratio of the Group was approximately 11.9 times as at 31 December 2020 (2019: approximately 7.8 times). The Group generally financed its daily operations by its internal resources. The remaining unused net proceeds as at 31 December 2020 were placed as interest-bearing deposits with licensed banks in Hong Kong.

CAPITAL STRUCTURE

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

FINANCIAL POLICIES

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

GEARING RATIO AND DEBT TO EQUITY RATIO

The Group's gearing ratio, which is calculated based on the total debt divided by total equity (defined as lease liabilities and bank overdrafts as at the respective year divided by the total equity as at the respective corresponding year) was approximately 2.0% as at 31 December 2020 (2019: 2.1%).

The Group's debt to equity ratio, which is calculated based on the total debt (defined as the lease liabilities and bank overdrafts minus cash and cash equivalents as at the respective year end divided by total equity as at the respective corresponding year) was not applicable due to the Group recorded net cash position as at 31 December 2020.

CAPITAL EXPENDITURE

During the year ended 31 December 2020, the Group invested approximately HK\$2,979,000 (2019: approximately HK\$1,792,000) in property, plant and equipment, mainly represented motor vehicles, computer and office equipment and other properties leased for own use.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had no significant capital commitments (2019: Nil).

CONTINGENT LIABILITIES

As at 31 December 2020, contingent liabilities not provided for in the consolidated financial statements were as follows:

Performance bonds

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Performance bonds given to customers for due and proper performance of projects undertaken by the Group's subsidiaries	<u>4,226</u>	<u>1,880</u>

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2020, the Group's property, plant and equipment of approximately HK\$1,264,000 was secured by motor vehicle (2019: approximately HK\$1,852,000).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2020, the Group did not have any significant investment, material acquisition nor disposal of subsidiaries and affiliated companies (2019: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 28 June 2018 (the "**Prospectus**"), the Group did not have other future plans for material investments or capital assets.

FOREIGN EXCHANGE RISK MANAGEMENT

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

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

INFORMATION ON EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had 82 employees (2019: 70 employees) with total staff costs (including Directors' emoluments) of approximately HK\$31,770,000 incurred for the year ended 31 December 2020 (2019: HK\$25,703,000). The Group's remuneration packages are generally structured with reference to market terms and individual merits. The remuneration committee of the Company makes recommendations to the Board on the overall remuneration policy and structure for the Directors and senior management.

DEED OF NON-COMPETITION

The controlling shareholders of the Company, namely Mr. Cheung Yuen Tung, Mr. Cheung Yuen Chau and Prime Pinnacle Limited (collectively, the "**Controlling Shareholders**") entered into a deed of non-competition dated 8 June 2018 ("**Deed of Non-competition**") in favour of the Company (for itself and as trustee for each of its subsidiaries). For details of the Deed of Non-competition, please refer to the section headed "Relationship with the Controlling Shareholders — Deed of Non-competition" in the Prospectus of the Company. Each of the Controlling Shareholders has confirmed that none of them is engaged in or interested in any business (other than the Group) which, directly or indirectly, competes or may compete with the business of the Group. The independent non-executive Directors have also reviewed the status of compliance and written confirmation from each of the Controlling Shareholders, and confirmed that all the undertakings under the Deed of Non-competition have been complied with by each of the Controlling Shareholders since 11 July 2018 and up to the date of this announcement.

COMPETING INTEREST

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

USE OF PROCEEDS

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

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

	Net proceeds <i>HK\$'000</i>	Utilised <i>HK\$'000</i>	Unutilised <i>HK\$'000</i>	Expected timeline
Procurement of HVAC systems	87,654	72,169	15,485	End of 2021
Taking out surety bonds	4,608	4,226	382	End of 2021
General working capital	10,138	10,138	–	–
	<u>102,400</u>	<u>86,533</u>	<u>15,867</u>	

SHARE OPTION SCHEME

Pursuant to a resolution passed by all the shareholders on 8 June 2018, the Company has conditionally adopted the share option scheme (the “**Share Option Scheme**”) for the purpose of providing incentives or rewards to the eligible participants for their contribution to the Group and enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. The Board is entitled at any time and from time to time grant options pursuant to the Share Option Scheme to the directors of the Company’s subsidiaries and employees of the Group and any other persons (including consultants or advisers) whom the Board considers have contributed or will contribute to the Group. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

The Board may, at its discretion, determine the minimum period for which the option has to be held before it can be exercised, and the period during which an option may be exercised. However, no options shall be exercised ten years after they have been granted. The subscription price of a share in respect of a particular option shall be not less than the highest of (i) the closing price of the shares as stated in the Stock Exchange’s on the daily quotation sheet on the date of the grant of the option, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheets for the five trading days immediately preceding the date of the grant of the option; and (iii) the nominal value of a share. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

From the date that the Share Option Scheme became effective and unconditional and up to the date of this announcement, no share options were granted under the Share Option Scheme.

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

During the year ended 31 December 2020, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s securities listed on the Stock Exchange.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Company is committed to fulfilling its responsibilities to its shareholders (the “**Shareholders**”) of the Company and protecting and enhancing the Shareholders’ value through good corporate governance. The Company has adopted and applied the principals of the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

The Company has complied with the code provisions and, where appropriate, the applicable recommended best practices set out in the CG Code throughout the year ended 31 December 2020.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (the “**AGM**”) is scheduled on Wednesday, 2 June 2021. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 28 May 2021 to Wednesday, 2 June 2021 (both days inclusive), during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the AGM, unregistered holders of the Shares should ensure that all share transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 27 May 2021.

EVENT AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event which had material effect on the Group subsequent to 31 December 2020 and up to the date of this announcement.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules.

All Directors have confirmed, following specific enquiry by the Company that they complied with the required standard as set out in the Model Code throughout the year ended 31 December 2020.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) is responsible for assisting the Board in safeguarding the Group’s assets by providing an independent review of the effectiveness of the financial reporting process and the internal controls and risk management systems of the Group. It also performs other duties as assigned by the Board.

The Audit Committee has discussed with the management of the Group and reviewed this annual financial results announcement and the consolidated financial statements for the year ended 31 December 2020, including the accounting policies and standards adopted by the Group, and discussed financial related matters.

The Audit Committee comprises three independent non-executive Directors and chaired by Mr. Lau Yu Ching, who has appropriate professional qualifications and experience as required by the Listing Rules.

PUBLICATION OF ANNUAL RESULTS AND 2020 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

A copy of this announcement will be available from the Company's website at www.manshungroup.com.hk and the Stock Exchange's website at www.hkexnews.hk. The annual report for the year ended 31 December 2020 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, 30 March 2021

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