

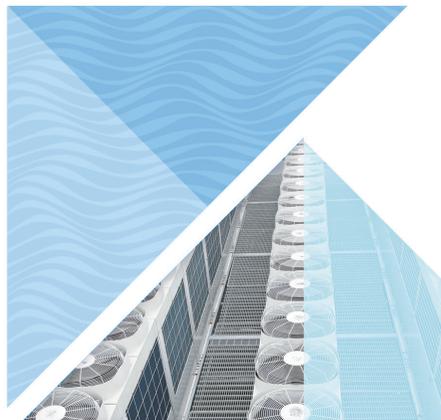
Man Shun Group (Holdings) Limited 萬順集團(控股)有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1746

2021

Interim Report



Man Shun Group (Holdings) Limited ✨ Interim Report 2021

CONTENTS

2	CORPORATE INFORMATION
3	CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
4	CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
5	CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
6	CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
7	NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
18	MANAGEMENT DISCUSSION AND ANALYSIS
28	OTHER INFORMATION

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.manshugroup.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 2021 (the “**Reporting Period**”), together with the unaudited comparative figures for corresponding period in 2020 (the “**Corresponding Period**”), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	4	55,480	82,765
Cost of services		(46,070)	(69,164)
Gross profit		9,410	13,601
Other income	5	785	2,262
Administrative expenses		(11,598)	(13,626)
Finance costs	6(a)	(45)	(46)
(Loss)/profit before taxation	6	(1,448)	2,191
Income tax expense	7	(67)	(379)
(Loss)/profit and total comprehensive income for the period		(1,515)	1,812
		HK cent	HK cent
(Loss)/earnings per share attributable to ordinary equity shareholders of the Company	9		
Basic		(0.15)	0.18
Diluted		(0.15)	0.18

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	<i>Notes</i>	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Non-current asset			
Property, plant and equipment	10	3,064	3,842
Current assets			
Trade and other receivables	11	39,833	53,297
Contract assets		28,450	14,378
Pledged bank deposits		4,226	4,226
Cash at bank and in hand	12	87,905	92,638
		160,414	164,539
Current liabilities			
Trade and other payables	13	8,944	11,057
Contract liabilities		557	1,093
Lease liabilities		1,513	1,627
Tax payable		68	–
		11,082	13,777
Net current assets		149,332	150,762
Total assets less current liabilities		152,396	154,604
Non-current liability			
Lease liabilities		776	1,469
		776	1,469
Net assets		151,620	153,135
Capital and reserves			
Share capital	14	10,000	10,000
Reserves		141,620	143,135
Total equity		151,620	153,135

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	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 2021 (Audited)	10,000	2,010	107,850	33,275	153,135
Loss and total comprehensive income for the period	-	-	-	(1,515)	(1,515)
At 30 June 2021 (Unaudited)	10,000	2,010	107,850	31,760	151,620
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
At 30 June 2020 (Unaudited)	10,000	2,010	107,850	43,551	163,411

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Operating activities		
(Loss)/profit before tax	(1,448)	2,191
Adjustments for:		
Finance costs	45	46
Depreciation of property, plant and equipment	126	135
Depreciation of right-of-use assets	741	682
Gain on disposal of property, plant and equipment	(12)	(50)
Interest income	(101)	(628)
Operating cash flows before movements in working capital	(649)	2,376
Decrease/(increase) in trade and other receivables	13,475	(8,656)
Net movement in contract assets/contract liabilities	(14,608)	7,882
Decrease in trade and other payables	(2,112)	(4,300)
Cash used in from operations	(3,894)	(2,698)
Hong Kong profits tax paid	–	(901)
Net cash used in operating activities	(3,894)	(3,599)
Investing activities		
Payment for purchase of property, plant and equipment	(89)	(47)
Interest received	90	560
Proceeds from disposal of property, plant and equipment	12	–
Decrease in time deposits with original maturity over three months	50,000	–
Net cash generated from investing activities	50,013	513
Financing activities		
Interest on bank overdrafts paid	–	(7)
Capital element of lease rental paid	(807)	(727)
Interest element of lease rental paid	(45)	(39)
Net cash used in financing activities	(852)	(773)
Net increase/(decrease) in cash and cash equivalents	45,267	(3,859)
Cash at bank and in hand	37,638	99,208
Bank overdrafts	–	(1,347)
Cash and cash equivalents at the beginning of period	37,638	97,861
Cash and cash equivalents at the end of the period	82,905	94,002

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company (the “**Shares**”) were listed on the Main Board of the Stock Exchange of Hong Kong (the “**Stock Exchange**”).

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

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

2. BASIS OF PREPARATION

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

The 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 2020, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 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 2020 consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

The interim financial report for the six months ended 30 June 2021 is unaudited but has been reviewed by the Audit Committee of the Company.

3. CHANGES IN ACCOUNTING POLICIES

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

None of the amendments has a material impact on the Group's financial positions and performances for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2021.

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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Products transferred at a point in time	7,885	28,862
Services transferred over time	47,595	53,903
	55,480	82,765

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

By type of services:

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Installation services only	29,486	34,213
Installation services with HVAC systems procurement	25,994	48,552
	55,480	82,765

Geographical information

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

5. OTHER INCOME

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Bank interest income	101	628
Repair and other service income	531	770
Gain on disposal of property, plant and equipment	12	50
Sundry income	141	814
	785	2,262

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. (LOSS)/PROFIT BEFORE TAXATION

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

a. Finance costs

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Interest on bank overdrafts	–	7
Interest on lease liabilities	45	39
	45	46

b. Staff costs (including directors' emoluments)

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Salaries, wages and other benefits	15,180	14,011
Contributions to defined contribution retirement plan	493	524
	15,673	14,535

c. Other items

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Depreciation on owned property, plant and equipment	126	135
Depreciation on right-of-use assets	741	682
	867	817
Gain on disposal of property, plant and equipment	12	50

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax — Hong Kong profits tax		
Provision for the year	67	379

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 2020.

8. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (Corresponding Period: nil).

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY SHAREHOLDERS OF THE COMPANY

a. Basic (loss)/earnings per share

The basic (loss)/earnings per share is calculated based on the loss attributable to ordinary equity shareholders of the Company for the period of HK\$1,515,000 (2020: profit of HK\$1,812,000) and the weighted average of 1,000,000,000 shares for the six months ended 30 June 2021.

b. Diluted (loss)/earnings per share

The amount of dilutive (loss)/earnings per share is the same as basic (loss)/earnings per share for the six months ended 30 June 2021 and 2020 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
Cost:						
At 1 January 2020	748	612	121	578	4,861	6,920
Additions	-	2,420	-	191	368	2,979
Disposals	-	-	-	-	(1,309)	(1,309)
At 31 December 2020 and 1 January 2021	748	3,032	121	769	3,920	8,590
Additions	-	-	-	-	89	89
Disposals	-	-	-	-	(402)	(402)
At 30 June 2021	748	3,032	121	769	3,607	8,277
Accumulated depreciation:						
At 31 December 2019 and 1 January 2020	558	408	98	266	2,927	4,257
Charge for the year	150	811	23	132	684	1,800
Written back on disposal	-	-	-	-	(1,309)	(1,309)
At 31 December 2020 and 1 January 2021	708	1,219	121	398	2,302	4,748
Charge for the period	39	485	-	58	285	867
Written back on disposal	-	-	-	-	(402)	(402)
At 30 June 2021	747	1,704	121	456	2,185	5,213
Net book value:						
At 31 December 2020	40	1,813	-	371	1,618	3,842
At 30 June 2021	1	1,328	-	313	1,422	3,064

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 2021 \$'000 (unaudited)	31 December 2020 \$'000 (audited)
Other properties leased for own use	<i>(i)</i>	1,329	1,813
Motor vehicles	<i>(ii)</i>	1,048	1,264
Computer and office equipment	<i>(ii)</i>	240	280
		2,617	3,357

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

		30 June 2021 \$'000 (unaudited)	31 December 2020 \$'000 (audited)
Depreciation charge of right-of-use assets by class of underlying asset:			
Other properties leased for own use		485	811
Motor vehicles		216	596
Computer and office equipment		40	78
		741	1,485
Interest on lease liabilities		45	92

There is no additions to right-of-use assets during the period.

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 properties as its office premises through tenancy agreements. The leases typically run for an initial period of 2 years.

The leases do 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 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Trade receivables, net of loss allowance	14,956	28,228
Deposits, prepayment and other receivables	1,293	629
Retention receivables	23,584	24,440
	39,833	53,297

At 30 June 2021 and 31 December 2020, the amounts expected to be recovered after more than one year are HK\$17,128,000 and HK\$14,405,000 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 2021 and 31 December 2020, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the date of payment certificate and net of loss allowances, is as follows:

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Within 1 month	12,576	18,501
1 to 3 months	1,553	7,756
Over 3 months	827	1,971
	14,956	28,228

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

12. CASH AND CASH EQUIVALENTS

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Cash at banks and on hand	87,905	92,638
Less: time deposits with original maturity over three months	(5,000)	(55,000)
Cash and cash equivalents in the consolidated cash flow statement	82,905	37,638

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. TRADE AND OTHER PAYABLES

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Trade payables	5,824	6,035
Accrued subcontracting costs	833	295
Other payables and accruals	2,287	4,727
	8,944	11,057

At 30 June 2021 and 31 December 2020, the ageing analysis of trade payables, based on the invoice date, is as follows:

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Within 1 month	3,840	3,941
1 to 2 months	1,629	1,173
2 to 3 months	328	808
Over 3 months	27	113
	5,824	6,035

14. SHARE CAPITAL

The share capital of the Company as at 30 June 2021 and 31 December 2020 is as follows:

	Number of shares	HK\$'000
Authorised ordinary shares of \$0.01 each		
At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021	5,000,000,000	50,000
Ordinary shares, Issued and fully paid		
At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021	1,000,000,000	10,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. SHARE CAPITAL *(Continued)*

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.

15. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Rental expenses paid to related companies	420	350

16. EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme (“**the MPF scheme**”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of \$30,000.

Contributions to the provident fund by the Group for its employees are fully and immediately vested in the employees once the contribution are made. There are no contributions forfeited by the Group on behalf of its employees who leave the plan prior to vesting fully in such contribution. Hence, there is no forfeited contributions which may be used by the Group to reduce the existing level of contributions.

17. CONTINGENT LIABILITIES

At 30 June 2021, contingent liabilities authorised but not provided for in the consolidated financial statements was the performance bonds given to customers for due and proper performance of projects undertaken by the Group's subsidiaries of HK\$4,226,000 (at 31 December 2020: HK\$4,226,000).



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.

As a listed company in Hong Kong, the Group can have more financing channels to raise funds to fulfil capital needs. The listing position with a long business history in Hong Kong also enhances the Group’s market position and further strengthens the Group’s reputation in the industry, which in turn helps maintaining the existing business relationship with the network of suppliers and customers and exploring potential business opportunities with new suppliers and customers.

FINANCIAL REVIEW

Revenue

By type of services:

	Six months ended 30 June							
	2021				2020			
	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	29,486	53%	7,215	24%	34,213	41%	5,383	16%
Installation services with HVAC systems procurement	25,994	47%	2,195	8%	48,552	59%	8,218	17%
	55,480	100%	9,410	17%	82,765	100%	13,601	16%

By timing of revenue recognition:

	Six months ended 30 June			
	2021		2020	
	HK\$'000 (unaudited)	%	HK\$'000 (unaudited)	%
Services transferred over time	47,595	86%	53,903	65%
Products transferred at a point in time	7,885	14%	28,862	35%
	55,480	100%	82,765	100%

During the Reporting Period, the Group's revenue decreased by approximately HK\$27,285,000 or approximately 33.0% to HK\$55,480,000 (Corresponding Period: approximately HK\$82,765,000).

The decrease was mainly due to a large scale project with substantial portion of contract revenue recorded during the Corresponding Period in accordance with the respective project execution progress.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of services

	Six months ended 30 June			
	2021		2020	
	HK\$'000 (unaudited)	%	HK\$'000 (unaudited)	%
Subcontracting fees	19,636	43%	21,747	31%
Materials and consumables	17,010	37%	34,691	50%
Direct labour	7,829	17%	10,843	16%
Others	1,595	3%	1,883	3%
Total	46,070	100%	69,164	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 decreased by approximately HK\$23,094,000 or 33.4% to approximately HK\$46,070,000 for the Reporting Period, as compared to approximately HK\$69,164,000 for the Corresponding Period. The decrease was in line with the decrease in the revenue during the Reporting Period. The HVAC systems procurement decreased by approximately HK\$22,558,000 or 46.5% to approximately HK\$25,994,000 for the Reporting Period (Corresponding Period: approximately HK\$48,552,000) due to the decrease in demand for installation services with HVAC systems procurement.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK\$4,191,000 or 30.8% from approximately HK\$13,601,000 for the Corresponding Period to approximately HK\$9,410,000 for the Reporting Period.

The gross profit margin for the Reporting Period was comparable to the Corresponding Period.

Other income

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

Administrative expenses

Administrative expenses mainly comprised of staff costs, meals and entertainment expenses, depreciation expenses, transportation expenses and others. Administrative expenses decreased from approximately HK\$13,626,000 for the Corresponding Period to approximately HK\$11,598,000 for the Reporting Period. The decrease of administrative expenses of the Group was mainly due to the decrease in administrative staff costs.

Finance costs

Finance costs of approximately HK\$45,000 for the Reporting Period represented interest expenses on lease liabilities.

Income tax expenses

For the Reporting Period and Corresponding Period, the income tax expenses were approximately HK\$67,000 and HK\$379,000, respectively.

(Loss)/profit and total comprehensive income attributable to equity shareholders of the Company

For the Reporting Period, the Group's loss and total comprehensive income attributable to equity shareholders of the Company was approximately HK\$1,515,000 (Corresponding Period: profit and total comprehensive income of approximately HK\$1,812,000).

Interim dividend

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



MANAGEMENT DISCUSSION AND ANALYSIS

Trade and other receivables

Trade receivables decreased by 47.0% from approximately HK\$28,228,000 as at 31 December 2020 to approximately HK\$14,956,000 as at 30 June 2021.

Retention receivables decreased by HK\$856,000 from approximately HK\$24,440,000 as at 31 December 2020 to approximately HK\$23,584,000 as at 30 June 2021. The decrease in retention receivables was in line with the progress of the projects.

Other receivables increased by HK\$664,000 from approximately HK\$629,000 as at 31 December 2020 to approximately HK\$1,293,000 as at 30 June 2021. The increase was mainly due to the increase in deposit payment for acquisition of materials.

Trade and other payables

Trade payables decreased by 3.5% from approximately HK\$6,035,000 as at 31 December 2020 to approximately HK\$5,824,000 as at 30 June 2021.

Other payables and accruals decreased by HK\$2,440,000 from approximately HK\$4,727,000 as at 31 December 2020 to approximately HK\$2,287,000 as at 30 June 2021. The amount decreased mainly due to the accrual of staff bonus as at 31 December 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 is seeking opportunities to invest or acquire equity interests of company in the People's Republic of China with businesses resembling that of the Group with the relevant licenses in order to obtain more projects and develop business prospects in China.

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.

Certain buildings under construction of one of our substantial project situated nearby the Tai Wai mass transit station need to be demolished and reconstructed. All works have been suspended at two blocks and the resumption date shall be notified in due course. As a result, the construction progress was adversely affected and caused delay. Additional subcontracting services, usage of materials, construction progress and storage fee of equipment may incur, and the Group will discuss with the main contractor in respect of the aforementioned fees caused by such delay. Delay of revenue recognition may lead to the decrease in the Group's financial results and given the uncertainties of the development of this project, the full impact on the Group's 2021 results could not be reasonably estimated at this stage.

The outbreak of the new coronavirus disease has continually had profound effects all over the world and on all kind of business and industries. Besides, Chinese government has cancelled the export tax rebate of 13% for steel products and thus increase the direct costs of the Group from the impact of an increase in prices of raw materials. This may lower the gross profits of the Group. The Group will closely monitor the situation and take appropriate measures to ensure that the Group can minimize the direct cost and operate efficiently.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2021, 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 14.5 times (31 December 2020: approximately 11.9 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 2021 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 14 to the unaudited consolidated financial statements in this interim report.



MANAGEMENT DISCUSSION AND ANALYSIS

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 lease liabilities as at the respective period/year end divided by total equity as at the respective corresponding periods) was approximately 1.5% as at 30 June 2021 (As at 31 December 2020: 2.0%).

The Group's debt to equity ratio, which is calculated based on the total debt (defined as the lease liabilities 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 2021.

CAPITAL EXPENDITURE

During the six months ended 30 June 2021, the Group invested approximately HK\$89,000 (Corresponding Period: approximately HK\$700,000) in property, plant and equipment, mainly represented properties leased for own use.

CAPITAL COMMITMENTS

As at 30 June 2021, 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 2021.

SUBSEQUENT EVENT

There is no material subsequent event undertaken by the Company or by the Group after 30 June 2021 and up to the date of this report.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2021, the Group's obligations under finance lease was secured by motor vehicle.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the Reporting Period, the Group did not have any significant investment, material acquisition nor disposal of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

INFORMATION ON EMPLOYEES

As at 30 June 2021, the Group employed 74 employees (31 December 2020: 82 employees) with total staff cost (including Director's emoluments) of approximately HK\$15,673,000 incurred for the Reporting Period (Corresponding Period: approximately HK\$14,535,000). 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.

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 <i>(note)</i>	87,654	73,550	14,104	End of 2021
Taking out surety bonds	4,608	4,226	382	End of 2021
General working capital	10,138	10,138	–	
	102,400	87,914	14,486	

Note: Due to the suspension of all works at two blocks of our substantial project situated nearby the Tai Wai mass transit station, the project development has exposed to considerable uncertainty which caused progress delay, and thus the Group’s management are unable to reliably estimate when the HVAC systems of the project can be procured at this time.

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 2021, 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.

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 2021, 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%

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.

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 2021.

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.

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, 20 August 2021