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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 2021**

FINANCIAL HIGHLIGHTS

- The Group recorded revenue of approximately HK\$121,672,000 for the year ended 31 December 2021 (2020: approximately HK\$127,588,000).
- Loss for the year attributable to equity shareholders of the Company for the year ended 31 December 2021 amounted to approximately HK\$2,225,000 (2020: approximately HK\$8,464,000).
- Basic and diluted loss per share for the year ended 31 December 2021 were HK\$0.22 cents (2020: HK\$0.85 cents).
- The board of directors does not recommend the payment of final dividend for the year ended 31 December 2021.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021, together with the comparative figures for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>NOTE</i>	Year ended 31 December	
		2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	121,672	127,588
Cost of services		(100,709)	(117,322)
Gross profit		20,963	10,266
Other income	5	1,997	6,836
Administrative expenses		(25,102)	(25,603)
Finance costs	6(a)	(83)	(98)
Loss before taxation	6	(2,225)	(8,599)
Income tax credit	7	–	135
Loss and total comprehensive income for the year		(2,225)	(8,464)
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
Basic and diluted	9	(0.22)	(0.85)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2021	2020
		HK\$'000	HK\$'000
	NOTE		
Non-current assets			
Property, plant and equipment		2,779	3,842
Current assets			
Inventories		2,863	–
Trade and other receivables	10	60,743	53,297
Contract assets	11	15,058	14,378
Pledged bank deposits		4,226	4,226
Cash at bank and in hand		85,826	92,638
		168,716	164,539
Current liabilities			
Trade and other payables	12	18,578	11,057
Contract liabilities	11	–	1,093
Lease liabilities		1,443	1,627
		20,021	13,777
Net current assets		148,695	150,762
Total assets less current liabilities		151,474	154,604
Non-current liability			
Lease liabilities		564	1,469
		564	1,469
Net assets		150,910	153,135
Capital and reserves			
Share capital		10,000	10,000
Reserves		140,910	143,135
Total equity		150,910	153,135

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 2021, 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 2021 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 IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest Rate Benchmark Reform — Phase 2

Amendments to HKFRS 16, Covid-19-related rent concessions

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 2021 and 2020. 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 is as follows:

Disaggregated by timing of revenue recognition:

	2021 HK\$'000	2020 HK\$'000
Products transferred at a point in time	31,574	39,618
Services transferred over time	90,098	87,970
	<u>121,672</u>	<u>127,588</u>

Disaggregated by type of services:

	2021 HK\$'000	2020 HK\$'000
Installation services only	59,959	37,023
Installation services with HVAC systems procurements	61,713	90,565
	<u>121,672</u>	<u>127,588</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, (2020: three) customers with whom transactions have exceeded 10% of the Group's revenue. Revenue from customers during the year ended 31 December 2021 contributing over 10% of the total revenue of the Group is as follows:

	2021	2020
	HK\$'000	HK\$'000
Customer A	46,104	25,859
Customer B	29,072	60,821
Customer C	18,817	16,416

5. OTHER INCOME

	2021	2020
	HK\$'000	HK\$'000
Bank interest income	153	926
Repair and other service income	1,599	1,195
Gain on disposal of property, plant and equipment	12	50
Government grants — Employment Support Scheme (<i>note</i>)	116	3,824
Government grants — Others	103	140
Sundry income	14	701

Note: In 2020, the Group successfully applied for funding support of \$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. In 2021, the Government further granted \$116,000 subsidies to the Group.

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(a) Finance costs		
Interest on bank overdrafts	–	6
Interest on lease liabilities	<u>83</u>	<u>92</u>
	<u>83</u>	<u>98</u>
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	31,440	30,700
Contributions to defined contribution retirement plan	<u>1,013</u>	<u>1,070</u>
	<u>32,453</u>	<u>31,770</u>
(c) Other items		
Depreciation		
— owned property, plant and equipment	217	315
— right-of-use assets	<u>1,632</u>	<u>1,485</u>
	1,849	1,800
Loss allowance on trade and other receivables	<u>–</u>	<u>1,039</u>

7. INCOME TAX CREDIT

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax:		
Under-provision in respect of prior years	—	95
	—	95
Deferred tax		
Origination and reversal of temporary differences	—	(230)
	—	(135)

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 years ended 31 December 2021 and 2020.

8. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$2,225,000 (2020: HK\$8,464,000) and the weighted average of 1,000,000,000 ordinary shares (2020: 1,000,000,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

The amount of diluted loss per share is the same as the basic loss per share for the years ended 31 December 2021 and 2020 as there were no dilutive potential ordinary shares in issue.

10. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables, net of loss allowance	36,134	28,228
Deposits, prepayment and other receivables	3,312	629
Retention receivables	21,297	24,440
	<hr/>	<hr/>
	60,743	53,297
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2021, the amounts expected to be recovered after more than one year is approximately HK\$18,699,000 (2020: HK\$14,405,000). 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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	34,224	18,501
1 to 3 months	813	7,756
Over 3 months	1,097	1,971
	<hr/>	<hr/>
	36,134	28,228
	<hr/> <hr/>	<hr/> <hr/>

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	
	2021	2020
	HK\$'000	HK\$'000
Arising from performance under installation contracts	<u>15,058</u>	<u>14,378</u>
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables"	<u>57,431</u>	<u>52,668</u>

(b) Contract liabilities

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Installation contracts — Billings in advance of performance	<u>—</u>	<u>1,093</u>

12. TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Trade payables	10,202	6,035
Accrued subcontracting costs	1,069	295
Other payables and accruals	<u>7,307</u>	<u>4,727</u>
	<u>18,578</u>	<u>11,057</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	
	2021	2020
	HK\$'000	HK\$'000
Within 1 month	9,482	3,941
1 to 2 months	490	1,173
2 to 3 months	196	808
Over 3 months	<u>34</u>	<u>113</u>
	<u>10,202</u>	<u>6,035</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 pursuing new business opportunities directly with property developers and/or their designated main contractors.

FINANCIAL REVIEW

Revenue

By type of services:

	Year ended 31 December							
	2021		Gross profit margin		2020		Gross profit margin	
	Revenue	Gross profit	Gross profit	Revenue	Gross profit	Gross profit	Gross profit	
	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	%	
Installation services only	59,959	49	16,107	37,023	29	8,664	23%	
Installation services with HVAC systems procurements	61,713	51	4,856	90,565	71	1,602	2%	
	<u>121,672</u>	<u>100</u>	<u>20,963</u>	<u>127,588</u>	<u>100</u>	<u>10,266</u>	<u>8%</u>	

By timing of revenue recognition:

	Year ended 31 December			
	2021		2020	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Services transferred over time	90,098	74	87,970	69
Products transferred at a point in time	31,574	26	39,618	31
	121,672	100	127,588	100

During the year ended 31 December 2021, the Group's revenue decreased by approximately HK\$5,916,000 or 4.6% to approximately HK\$121,672,000. The decrease was primarily attributable to 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 the buildings and would resume in mid-2022.

Cost of services

	Year ended 31 December			
	2021		2020	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Subcontracting fees	36,490	36	43,752	37
Materials and consumables	43,963	44	53,018	45
Direct labour	17,186	17	16,302	14
Others	3,070	3	4,250	4
Total	100,709	100	117,322	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 decreased by approximately HK\$16,613,000 or 14.2% to approximately HK\$100,709,000 for the year ended 31 December 2021, as compared to approximately HK\$117,322,000 for the year ended 31 December 2020. The decrease was mainly due to the decrease in revenue and the decrease in materials and consumables because of the decrease in demand for installation services with HVAC systems procurement during the year.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$10,697,000 or 104.2% from approximately HK\$10,266,000 for the year ended 31 December 2020 to approximately HK\$20,963,000 for the year ended 31 December 2021. The Group's gross profit margin increased from approximately 8.0% for the year ended 31 December 2020 to approximately 17.2% for the year ended 31 December 2021. The increase in the gross profit margin was mainly due to substantial amounts of revenue were recognised from projects with higher profit margin. Besides, additional costs incurred for a substantial project situated nearby the Tai Wai mass transit station (the “**Tai Wai Project**”) for the year ended 31 December 2020.

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 2021.

Administrative expenses

Administrative expenses mainly comprised staff costs, meals and entertainment expenses, depreciation expenses, transportation expenses and others. Administrative expenses decreased from approximately HK\$25,603,000 for the year ended 31 December 2020 to approximately HK\$25,102,000 for the year ended 31 December 2021, it generally stayed the same for the year ended 31 December 2021.

Finance costs

Finance costs of approximately HK\$83,000 for the year ended 31 December 2021 represented interest expenses on lease liabilities.

Income tax

For the year ended 31 December 2021, 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 years ended 31 December 2021 and 2020.

Total comprehensive income attributable to equity shareholders of the Company

For the year ended 31 December 2021, the Group's loss and total comprehensive income attributable to equity shareholders of the Company was approximately HK\$2,225,000 (2020: HK\$8,464,000). The decrease in financial loss was mainly due to substantial amounts of revenue were recognised from projects with higher profit margin in 2021. Besides, additional costs incurred for the Tai Wai Project for the year ended 31 December 2020. 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 2021 (2020: Nil).

Trade and other receivables

Trade receivables increased by approximately HK7,906,000 from approximately HK\$28,228,000 as at 31 December 2020 to approximately HK\$36,134,000 as at 31 December 2021. As at 31 December 2021, the trade receivables balance included payment certificates of three new projects of approximately HK\$7,000,000 issued near the end of the financial year according to the projects progress which contributed to a larger trade receivable balance when compared with that as at 31 December 2020.

Retention receivables decreased by approximately HK\$3,143,000 from approximately HK\$24,440,000 as at 31 December 2020 to approximately HK\$21,297,000 as at 31 December 2021. The decrease in retention receivables was in line with the progress of the projects.

Deposits, prepayment and other receivables increased by approximately HK\$2,683,000 from approximately HK\$629,000 as at 31 December 2020 to approximately HK\$3,312,000 as at 31 December 2021. The increase in the balance was mainly due to the deposit paid for raw materials acquisition of HK\$2,000,000.

Trade and other payables

Trade payables increased by approximately HK\$4,167,000 from approximately HK\$6,035,000 as at 31 December 2020 to approximately HK\$10,202,000 as at 31 December 2021. The increase was mainly due to the purchase of HVAC systems for projects installation near the end of the financial year.

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, four new projects of total contract sum of approximately HK\$155 million were awarded to the Group during the year ended 31 December 2021. 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.

At the end of 2021, the occurrence of a more contagious Omicron variant of the novel coronavirus brought adverse impact and various challenges on the economy. The lockdown affected logistic transportation and led to delays in transporting to Hong Kong or shortages of raw materials, which severely affected the construction progress. In addition, the infection of construction staff also slowed down the construction progress. The economy may not grow at an expected rate, the number of building construction decreased, and the price of raw materials increased due to the war between Ukraine and Russia. All of the above factors caused impact on the future revenue and gross profit of the Group. Nevertheless, the Group will continue to develop and actively explore potential development opportunities and control costs and expenses.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had net current assets of approximately HK\$148,695,000 as at 31 December 2021 (2020: approximately HK\$150,762,000). The quick ratio of the Group was approximately 8.4 times as at 31 December 2021 (2020: approximately 11.9 times). The Group generally financed its daily operations by its internal resources. The remaining unused net proceeds as at 31 December 2021 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 as at the respective year divided by the total equity as at the respective corresponding year) was approximately 1.3% as at 31 December 2021 (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 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 2021.

CAPITAL EXPENDITURE

During the year ended 31 December 2021, the Group invested approximately HK\$786,000 (2020: approximately HK\$2,979,000) 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 2021, the Group had no significant capital commitments (2020: Nil).

CONTINGENT LIABILITIES

As at 31 December 2021, contingent liabilities not provided for in the consolidated financial statements were as follows:

Performance bonds

	2021 <i>HK\$'000</i>	2020 <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>4,226</u>

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2021, the Group's certain motor vehicles of approximately HK\$831,000 was secured by motor vehicle (2020: approximately HK\$1,264,000).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2021, the Group did not have any significant investment, material acquisition nor disposal of subsidiaries and affiliated companies (2020: 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 2021, the Group had 67 employees (2020: 82 employees) with total staff costs (including Directors' emoluments) of approximately HK\$32,453,000 incurred for the year ended 31 December 2021 (2020: HK\$31,770,000). 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 used for the intended purposes as was 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	87,654	–	
Taking out surety bonds	4,608	4,226	382	End of 2022
General working capital	10,138	10,138	–	
	<u>102,400</u>	<u>102,018</u>	<u>382</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 2021, 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 2021.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (the “**AGM**”) is scheduled on Thursday, 9 June 2022. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 6 June 2022 to Thursday, 9 June 2022 (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, 2 June 2022.

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 2021 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 2021.

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 2021, 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 2021 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 2021 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, 29 March 2022

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.