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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

HIGHLIGHTS

- The Group recorded revenue of approximately HK\$58,202,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK\$55,480,000).
- Loss for the six months ended 30 June 2022 attributable to equity shareholders of the Company amounted to approximately HK\$2,222,000 (six months ended 30 June 2021: approximately HK\$1,515,000).

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 2022 (the “**Reporting Period**”), together with the unaudited comparative figures for corresponding period in 2021 (the “**Corresponding Period**”), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	4	58,202	55,480
Cost of services		<u>(50,857)</u>	<u>(46,070)</u>
Gross profit		7,345	9,410
Other income	5	2,041	785
Administrative expenses		(11,576)	(11,598)
Finance costs	6(a)	<u>(32)</u>	<u>(45)</u>
Loss before taxation	6	(2,222)	(1,448)
Income tax expense	7	<u>–</u>	<u>(67)</u>
Loss and total comprehensive income for the period		<u>(2,222)</u>	<u>(1,515)</u>
		<i>HK cent</i>	<i>HK cent</i>
Loss per share attributable to ordinary equity shareholders of the Company	9		
Basic		(0.22)	(0.15)
Diluted		<u>(0.22)</u>	<u>(0.15)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	<i>Notes</i>	30 June 2022 <i>HK\$'000</i> (unaudited)	31 December 2021 <i>HK\$'000</i> (audited)
Non-current asset			
Property, plant and equipment	<i>10</i>	<u>2,769</u>	<u>2,779</u>
Current assets			
Inventories	<i>11</i>	4,205	2,863
Trade and other receivables	<i>12</i>	52,578	60,743
Contract assets		22,201	15,058
Pledged bank deposits		4,226	4,226
Cash at bank and in hand		<u>74,495</u>	<u>85,826</u>
		<u>157,705</u>	<u>168,716</u>
Current liabilities			
Trade and other payables	<i>13</i>	9,193	18,578
Contract liabilities		633	–
Lease liabilities		<u>1,477</u>	<u>1,443</u>
		<u>11,303</u>	<u>20,021</u>
Net current assets		<u>146,402</u>	<u>148,695</u>
Total assets less current liabilities		<u>149,171</u>	<u>151,474</u>
Non-current liability			
Lease liabilities		<u>483</u>	<u>564</u>
		<u>483</u>	<u>564</u>
Net assets		<u>148,688</u>	<u>150,910</u>
Capital and reserves			
Share capital	<i>14</i>	10,000	10,000
Reserves		<u>138,688</u>	<u>140,910</u>
Total equity		<u>148,688</u>	<u>150,910</u>

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**”) on 11 July 2018.

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

The Company 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 2021, except for the accounting policy changes that are expected to be reflected in the 2022 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 an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 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 2021 consolidated financial statements.

The interim financial report for the six months ended 30 June 2022 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:

HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKAS 16 (Amendments)	Property, Plant and Equipment — Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018–2020

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 2022.

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	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Products transferred at a point in time	10,726	7,885
Services transferred over time	47,476	47,595
	<u>58,202</u>	<u>55,480</u>

By type of services:

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Installation services only	36,982	29,486
Installation services with HVAC systems procurement	21,220	25,994
	<hr/>	<hr/>
	58,202	55,480
	<hr/> <hr/>	<hr/> <hr/>

Geographical information

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

5. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Bank interest income	115	101
Repair and other service income	280	531
Gain on disposal of property, plant and equipment	–	12
Government grants — employment support scheme	1,344	–
Sundry income	302	141
	<hr/>	<hr/>
	2,041	785
	<hr/> <hr/>	<hr/> <hr/>

6. LOSS BEFORE TAXATION

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

a. Finance costs

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on lease liabilities	<u>32</u>	<u>45</u>

b. Staff costs (including directors' emoluments)

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries, wages and other benefits	13,889	15,180
Contributions to defined contribution retirement plan	<u>575</u>	<u>493</u>
	<u>14,464</u>	<u>15,673</u>

c. Other items

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation on owned property, plant and equipment	75	126
Depreciation on right-of-use assets	<u>914</u>	<u>741</u>
	<u>989</u>	867
Gain on disposal of property, plant and equipment	<u>-</u>	<u>(12)</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax — Hong Kong profits tax		
Provision for the year	—	67
	<u> </u>	<u> </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 period ended 30 June 2022.

The provision for Hong Kong profits tax was calculated at 16.5% of the estimated assessable profit for the period ended 30 June 2021, 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 were taxed at 8.25% and the remaining assessable profits were taxed at 16.5%.

8. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (Corresponding Period: nil).

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY SHAREHOLDERS OF THE COMPANY

a. Basic loss per share

The basic loss per share is calculated based on the loss attributable to ordinary equity shareholders of the Company for the period of HK\$2,222,000 (2021: HK\$1,515,000) and the weighted average of 1,000,000,000 shares for the six months ended 30 June 2022.

b. Diluted loss per share

The amount of dilutive loss per share is the same as basic loss per share for the six months ended 30 June 2022 and 2021 as there is no dilutive potential ordinary shares in issue.

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 2021	748	3,032	121	769	3,920	8,590
Additions	–	698	–	–	88	786
Disposals	–	–	–	–	(402)	(402)
At 31 December 2021 and 1 January 2022	748	3,730	121	769	3,606	8,974
Additions	–	975	4	–	–	979
At 30 June 2022	<u>748</u>	<u>4,705</u>	<u>125</u>	<u>769</u>	<u>3,606</u>	<u>9,953</u>
Accumulated depreciation:						
At 31 December 2020 and 1 January 2021	708	1,219	121	398	2,302	4,748
Charge for the year	40	1,118	–	116	575	1,849
Disposal	–	–	–	–	(402)	(402)
At 31 December 2021 and 1 January 2022	748	2,337	121	514	2,475	6,195
Charge for the period	–	658	1	56	274	989
At 30 June 2022	<u>748</u>	<u>2,995</u>	<u>122</u>	<u>570</u>	<u>2,749</u>	<u>7,184</u>
Net book value:						
At 31 December 2021	<u>–</u>	<u>1,393</u>	<u>–</u>	<u>255</u>	<u>1,131</u>	<u>2,779</u>
At 30 June 2022	<u>–</u>	<u>1,710</u>	<u>3</u>	<u>199</u>	<u>857</u>	<u>2,769</u>

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 2022 \$'000 (unaudited)	31 December 2021 \$'000 (audited)
Other properties leased for own use	<i>(i)</i>	1,710	1,393
Motor vehicles	<i>(ii)</i>	614	831
Computer and office equipment	<i>(ii)</i>	160	200
		2,484	2,424

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

		30 June 2022 \$'000 (unaudited)	31 December 2021 \$'000 (audited)
Depreciation charge of right-of-use assets by class of underlying asset:			
Other properties leased for own use		658	1,118
Motor vehicles		216	433
Computer and office equipment		40	81
		914	1,632
Interest on lease liabilities		32	83

During the period, additions to right-of-use assets were HK\$975,000 (Corresponding Period: nil). This amount included the capitalised lease payments payable under lease of office premises.

(i) Other properties leased for own use

The Group has obtained the right to use other properties as its office premises and warehouses through tenancy agreements. The leases typically run for an initial period of 2 to 3 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 2 to 3 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. INVENTORIES

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Raw materials	<u>4,205</u>	<u>2,863</u>

12. TRADE AND OTHER RECEIVABLES

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Trade receivables, net of loss allowance	23,975	36,134
Deposits, prepayment and other receivables	4,957	3,312
Retention receivables	<u>23,646</u>	<u>21,297</u>
	<u>52,578</u>	<u>60,743</u>

At 30 June 2022 and 31 December 2021, the amounts expected to be recovered after more than one year are HK\$19,316,000 and HK\$18,699,000 respectively. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis

At 30 June 2022 and 31 December 2021, 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 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Within 1 month	23,118	34,224
1 to 3 months	–	813
Over 3 months	<u>857</u>	<u>1,097</u>
	<u>23,975</u>	<u>36,134</u>

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

13. TRADE AND OTHER PAYABLES

	30 June 2022 <i>HK\$'000</i> (unaudited)	31 December 2021 <i>HK\$'000</i> (audited)
Trade payables	6,817	10,202
Accrued subcontracting costs	96	1,069
Other payables and accruals	2,280	7,307
	<hr/> 9,193 <hr/>	<hr/> 18,578 <hr/>

At 30 June 2022 and 31 December 2021, the ageing analysis of trade payables, based on the invoice date, is as follows:

	30 June 2022 <i>HK\$'000</i> (unaudited)	31 December 2021 <i>HK\$'000</i> (audited)
Within 1 month	3,662	9,482
1 to 2 months	3,139	490
2 to 3 months	–	196
Over 3 months	16	34
	<hr/> 6,817 <hr/>	<hr/> 10,202 <hr/>

14. SHARE CAPITAL

The share capital of the Company as at 30 June 2022 and 31 December 2021 is as follows:

	Number of shares	<i>HK\$'000</i>
Authorised ordinary shares of \$0.01 each		
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	<u>5,000,000,000</u>	<u>50,000</u>
Ordinary shares, Issued and fully paid		
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	<u>1,000,000,000</u>	<u>10,000</u>

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. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 30 June 2022 and 31 December 2021.

16. CONTINGENT LIABILITIES

At 30 June 2022, 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 2021: 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.

Looking forward, the Group will continue 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.

In the fifth wave of severe epidemic in early 2022, many engineering employees were diagnosed with the infection, the progress of the projects was seriously affected and delayed. The lockdown in China affected logistic transportation and led to delays in transporting raw materials to Hong Kong, which further severely affected the construction progress due to the shortage of raw materials. In addition, raw materials prices were close to high levels in the first half of the year, resulting in an increase in the cost of construction materials. Coupled with construction delays, increase in costs, economic slowdown and reduction in tendering for new development projects exerted pressure on the Group’s operations and tendering for new projects. Accordingly, the revenue and gross profit of the Group was adversely affected.

FINANCIAL REVIEW

Revenue

By type of services:

	Six months ended 30 June							
	2022				2021			
	Revenue <i>HK\$'000</i> (unaudited)	%	Gross profit <i>HK\$'000</i> (unaudited)	Gross profit margin %	Revenue <i>HK\$'000</i> (unaudited)	%	Gross profit <i>HK\$'000</i> (unaudited)	Gross profit margin %
Installation services only	36,982	64%	7,152	19%	29,486	53%	7,215	24%
Installation services with HVAC systems procurement	21,220	36%	193	1%	25,994	47%	2,195	8%
	<u>58,202</u>	<u>100%</u>	<u>7,345</u>	<u>13%</u>	<u>55,480</u>	<u>100%</u>	<u>9,410</u>	<u>17%</u>

By timing of revenue recognition:

	Six months ended 30 June			
	2022		2021	
	<i>HK\$'000</i> (unaudited)	%	<i>HK\$'000</i> (unaudited)	%
Services transferred over time	47,476	82%	47,595	86%
Products transferred at a point in time	10,726	18%	7,885	14%
	<u>58,202</u>	<u>100%</u>	<u>55,480</u>	<u>100%</u>

During the Reporting Period, the Group's revenue increased by approximately HK\$2,722,000 or approximately 4.9% to HK\$58,202,000 (Corresponding Period: approximately HK\$55,480,000).

The increase 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.

Cost of services

	Six months ended 30 June			
	2022		2021	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
Subcontracting fees	18,406	36%	19,636	43%
Materials and consumables	23,508	46%	17,010	37%
Direct labour	7,799	16%	7,829	17%
Others	1,144	2%	1,595	3%
Total	50,857	100%	46,070	100%

The Group's cost of services mainly represented cost of HVAC systems and other ancillary consumables such as pipes and fittings, and subcontracting charges for completing on site works. The cost of services increased by approximately HK\$4,787,000 or 10.4% to approximately HK\$50,857,000 for the Reporting Period, as compared to approximately HK\$46,070,000 for the Corresponding Period. The increase was mainly due to cost of purchasing materials increased in the Reporting Period. The HVAC systems procurement decreased by approximately HK\$4,774,000 or 18.4% to approximately HK\$21,220,000 for the Reporting Period (Corresponding Period: approximately HK\$25,994,000) 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\$2,065,000 or 21.9% from approximately HK\$9,410,000 for the Corresponding Period to approximately HK\$7,345,000 for the Reporting Period.

The lower gross profit margin for the Reporting Period was mainly attributable to the increase in the cost of purchasing materials.

Other income

The other income mainly consisted of government grants, 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.

Finance costs

Finance costs of approximately HK\$32,000 for the Reporting Period represented interest expenses on lease liabilities.

Income tax

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 Reporting Period.

For the Corresponding Period, the income tax expense was approximately HK\$67,000.

Loss 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\$2,222,000 (Corresponding Period: approximately HK\$1,515,000).

Interim dividend

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

Trade and other receivables

Trade receivables decreased by 33.6% from approximately HK\$36,134,000 as at 31 December 2021 to approximately HK\$23,975,000 as at 30 June 2022.

Retention receivables increased by HK\$2,349,000 from approximately HK\$21,297,000 as at 31 December 2021 to approximately HK\$23,646,000 as at 30 June 2022. The increase in retention receivables was in line with the progress of the projects.

Deposits, prepayment and other receivables increased by HK\$1,645,000 from approximately HK\$3,312,000 as at 31 December 2021 to approximately HK\$4,957,000 as at 30 June 2022. The increase was mainly due to the increase in warehouse storage fee paid on behalf of the contractor.

Trade and other payables

Trade payables decreased by 33.2% from approximately HK\$10,202,000 as at 31 December 2021 to approximately HK\$6,817,000 as at 30 June 2022. The decrease was mainly due to the Group made substantial payment to the subcontractors and vendors near the end of the Reporting Period.

Other payables and accruals decreased by HK\$5,027,000 from approximately HK\$7,307,000 as at 31 December 2021 to approximately HK\$2,280,000 as at 30 June 2022. The amount decreased mainly due to the accrual of staff bonus was made as at 31 December 2021 and deposit was received from a client and purchase of HVAC systems for projects installation incurred near the end of 31 December 2021.

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.

The outbreak of the new coronavirus disease in the first quarter of 2022 has continually had profound effects in Hong Kong and on all kind of business and industries. The Group has several projects under construction in the second half of 2022. The coronavirus disease situation is expected to be stabilized or subsided, the construction works will be carried out smoothly and the revenue of the Group will increase steadily. Sooner or later, 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 2022, 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 14.0 times (31 December 2021: approximately 8.4 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 2022 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 announcement.

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 1.3% as at 30 June 2022 (As at 31 December 2021: 1.3%).

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 2022.

CAPITAL EXPENDITURE

During the six months ended 30 June 2022, the Group invested approximately HK\$979,000 (Corresponding Period: approximately HK\$89,000) in property, plant and equipment, mainly represented properties leased for own use.

CAPITAL COMMITMENTS

As at 30 June 2022, the Group had no significant capital commitments.

CONTINGENT LIABILITIES

Save as disclosed in note 16 to the condensed consolidated interim financial statements, the Group had no contingent liabilities as at 30 June 2022.

SUBSEQUENT EVENT

There is no material subsequent event undertaken by the Company or by the Group after 30 June 2022 and up to the date of this announcement.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2022, 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.

INFORMATION ON EMPLOYEES

As at 30 June 2022, the Group employed 66 employees (at 31 December 2021: 67 employees) with total staff cost (including Director's emoluments) of approximately HK\$14,464,000 incurred for the Reporting Period (Corresponding Period: approximately HK\$15,673,000). 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 announcement.

COMPETING INTEREST

Since the Listing Date and up to the date of this announcement, 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 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>	

OTHER INFORMATION

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 for Securities Transactions by Directors (“Model Code”)

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.

Audit Committee

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

The Audit Committee has discussed with the management of the Group and reviewed the unaudited interim financial results of the Group for the Reporting Period, including the accounting principles and standards adopted by the Group, and discussed financial related matters. The interim financial report for the Reporting Period is unaudited but has been reviewed by the Audit Committee of the Company.

Publication of interim results announcement and interim report

This interim results announcement is published on the Company's website (<http://www.manshungroup.com.hk>) and the Stock Exchange's website (<https://www.hkexnews.hk>). The 2022 interim report of the Company will be despatched to the shareholders of the Company and will be available on the websites of the aforesaid websites in due course.

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

Hong Kong, 25 August 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. Lau Yu Ching, Mr. Law Chung Lam, Nelson and Mr. Pang Kam Fai, Dickson.