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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 2023**

FINANCIAL HIGHLIGHTS

- The Group recorded revenue of approximately HK\$152,950,000 for the year ended 31 December 2023 (2022: approximately HK\$125,087,000).
- Profit for the year attributable to equity shareholders of the Company for the year ended 31 December 2023 amounted to approximately HK\$680,000 (2022: approximately HK\$238,000).
- Basic and diluted earnings per share for the year ended 31 December 2023 were HK\$0.07 cents (2022: HK\$0.02 cents).
- The board of directors does not recommend the payment of final dividend for the year ended 31 December 2023.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023, together with the comparative figures for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	4	152,950	125,087
Cost of services		<u>(133,743)</u>	<u>(106,381)</u>
Gross profit		19,207	18,706
Other income	5	10,026	6,297
Administrative expenses		(28,465)	(24,691)
Finance costs	6(a)	<u>(65)</u>	<u>(60)</u>
Profit before taxation	6	703	252
Income tax expense	7	<u>(23)</u>	<u>(14)</u>
Profit and total comprehensive income for the year		<u>680</u>	<u>238</u>
Earnings per share (HK cents)	9		
— Basic		<u>0.07</u>	<u>0.02</u>
— Diluted		<u>0.07</u>	<u>0.02</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		2,116	2,419
Current assets			
Inventories		2,225	3,108
Trade and other receivables	<i>10</i>	51,263	68,161
Contract assets	<i>11(a)</i>	28,739	22,254
Pledged bank deposits		–	3,848
Cash at bank and in hand		88,370	64,581
		170,597	161,952
Current liabilities			
Trade and other payables	<i>12</i>	19,157	11,191
Contract liabilities	<i>11(b)</i>	178	728
Lease liabilities		1,029	1,049
		20,364	12,968
Net current assets		150,233	148,984
Total assets less current liabilities		152,349	151,403
Non-current liabilities			
Lease liabilities		484	241
Deferred tax liabilities		37	14
		521	255
Net assets		151,828	151,148
Capital and reserves			
Share capital		10,000	10,000
Reserves		141,828	141,148
Total equity		151,828	151,148

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 2023, but is derived from those financial statements.

The Group’s consolidated 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 consolidated 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 2023 as set out in the preliminary announcement have been compared by the Group’s auditor, D & PARTNERS CPA LIMITED, 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 D & PARTNERS CPA LIMITED 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.

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance contracts
Amendments to HKAS 8	Definition of accounting estimates
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 12	International Tax Reform — Pillar Two model Rules

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions and provisions for decommissioning and restoration that occurred on or after 1 January 2022;
- (ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Amendments to HKAS 1, Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in these consolidated financial statements.

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 2023 and 2022. 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. 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 service are as follows:

Revenue from contracts with customers within the scope of HKFRS 15

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Disaggregated by timing of revenue recognition		
Products transferred at a point in time	31,077	19,284
Services transferred over time	<u>121,873</u>	<u>105,803</u>
	<u>152,950</u>	<u>125,087</u>
Disaggregated by type of service		
Installation services only	70,568	84,640
Installation services with HVAC systems procurements	<u>82,382</u>	<u>40,447</u>
	<u>152,950</u>	<u>125,087</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 (2022: one) customers with whom transaction has exceeded 10% of the Group's revenue. Revenue from customer during the year ended 31 December 2023 contributing over 10% of the total revenue of the Group is as follows:

	2023	2022
	HK\$'000	HK\$'000
Customer A	69,552	81,270
Customer B (<i>Note</i>)	35,104	5,022
Customer C (<i>Note</i>)	30,295	7,855

Note: The transactions did not exceed 10% of the Group's revenue during the year ended 31 December 2022.

5. OTHER INCOME

	2023	2022
	HK\$'000	HK\$'000
Bank interest income	2,819	654
Repair and other service income	6,721	2,480
Gain on early termination of lease	2	2
Government grants — Employment Support Scheme (<i>Note i</i>)	–	3,008
Government grants — others (<i>Note ii</i>)	27	–
Net reversal of expected credit loss on trade and other receivables and contract assets	–	133
Over-provision of long services payment	257	–
Sundry income	200	20

Note:

- (i) In 2022, the Group successfully applied for funding support of HK\$3,008,000 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. No government grants in relation to Employment Support Scheme was received in 2023.
- (ii) The Group recognised the government grants of HK\$27,000 (2022: Nil) under Construction Innovation and Technology Fund from Construction Industry Council.

6. PROFIT BEFORE TAXATION

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

	2023 HK\$'000	2022 HK\$'000
(a) Finance costs		
Interest on lease liabilities	<u>65</u>	<u>60</u>
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	31,157	31,180
Contributions to defined contribution retirement plan	<u>1,000</u>	<u>1,105</u>
	<u>32,157</u>	<u>32,285</u>
(c) Other items		
Depreciation		
— owned property, plant and equipment	680	300
— right-of-use assets, including in cost of services	547	—
— right-of-use assets, including in administrative expenses	<u>894</u>	<u>1,741</u>
	<u>2,121</u>	<u>2,041</u>
Net impairment/(reversal) of expected credit loss on trade and other receivables and contract assets	1,763	(133)
(Over-provision)/provision of long services payment	(257)	587
Loss on disposal of property, plant and equipment	7	—
Auditors' remuneration	<u>730</u>	<u>700</u>

7. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Deferred tax		
Origination of temporary differences	<u>23</u>	<u>14</u>

Hong Kong Profit Tax is calculated at 16.5% in the estimated assessable profit for both years.

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 2023 and 2022.

8. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$680,000 (2022: HK\$238,000) and the weighted average of 1,000,000,000 ordinary shares (2022: 1,000,000,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The amount of diluted earnings per share is the same as the basic earnings per share for the years ended 31 December 2023 and 2022 as there were no dilutive potential ordinary shares in issue.

10. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Trade receivables, net of loss allowance	21,724	37,391
Deposits, prepayment and other receivables	2,814	4,413
Retention receivables, net of loss allowance	26,725	26,357
	<u>51,263</u>	<u>68,161</u>

As at 31 December 2023, the amounts of retention receivables expected to be recovered after more than one year is approximately HK\$14,185,000 (2022: HK\$23,164,000). 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	
	2023	2022
	HK\$'000	HK\$'000
Within 1 month	20,859	35,644
1 to 3 months	138	1,078
Over 3 months	727	669
	<u>21,724</u>	<u>37,391</u>

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

11. CONTRACT ASSETS AND LIABILITIES

(a) Contract assets

	As at 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Arising from performance under installation contracts, net of loss allowance	<u>28,739</u>	<u>22,254</u>
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables"	<u>48,449</u>	<u>63,748</u>

(b) Contract liabilities

	As at 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Installation contracts — Billings in advance of performance	<u>178</u>	<u>728</u>

12. TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	11,771	3,782
Accrued subcontracting costs	2,665	2,704
Other payables and accruals	4,391	4,118
Provision for long service payment	<u>330</u>	<u>587</u>
	<u>19,157</u>	<u>11,191</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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	5,905	1,986
1 to 2 months	5,496	1,545
2 to 3 months	100	251
Over 3 months	<u>270</u>	<u>—</u>
	<u>11,771</u>	<u>3,782</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 timing of revenue recognition:

	Year ended 31 December			
	2023		2022	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Services transferred over time	121,873	80	105,803	85
Products transferred at a point in time	31,077	20	19,284	15
	152,950	100	125,087	100

By type of services:

	Year ended 31 December			
	2023		2022	
	HK\$'000	%	HK\$'000	%
Installation services only	70,568	46	84,640	68
Installation services with HVAC systems procurements	82,382	54	40,447	32
	<u>152,950</u>	<u>100</u>	<u>125,087</u>	<u>100</u>

During the year ended 31 December 2023, the Group's revenue increased by approximately HK\$27,863,000 or 22.3% to approximately HK\$152,950,000. The revenue during the year was derived from the respective projects execution progress.

Cost of services

	Year ended 31 December			
	2023		2022	
	HK\$'000	%	HK\$'000	%
Subcontracting fees	51,306	38	41,143	39
Materials and consumables	54,724	41	45,340	43
Direct labour	17,377	13	17,282	16
Storage fee	5,267	4	–	–
Others	5,069	4	2,616	2
	<u>133,743</u>	<u>100</u>	<u>106,381</u>	<u>100</u>

The Group's cost of services mainly represented the cost of HVAC systems and other ancillary consumables such as pipes and fittings and subcontracting charges for completing on-site works. The cost of services increased by approximately HK\$27,362,000 or 25.7% to approximately HK\$133,743,000 for the year ended 31 December 2023, as compared to approximately HK\$106,381,000 for the year ended 31 December 2022. The increase was mainly due to the increase in revenue and additional storage fee for ventilation fans and air conditioners.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$501,000 or 2.7% from approximately HK\$18,706,000 for the year ended 31 December 2022 to approximately HK\$19,207,000 for the year ended 31 December 2023. The Group's gross profit margin decreased from approximately 15.0% for the year ended 31 December 2022 to approximately 12.6% for the year ended 31 December 2023. The decrease in the gross profit margin was mainly due to the additional storage fee and lower profit margin for projects with HVAC system procurements.

Other income

The other income mainly consisted of bank interest income and other services income, which principally included repairing and other installation services recognised for the year ended 31 December 2023.

Administrative expenses

Administrative expenses mainly comprised staff costs, meals and entertainment expenses, depreciation expenses, transportation expenses and others. Administrative expenses increased from approximately HK\$24,691,000 for the year ended 31 December 2022 to approximately HK\$28,465,000 for the year ended 31 December 2023. The increase in administrative expenses of the Group was mainly due to the increase in the cost of repairing and other installation services and the impairment of expected credit loss on trade and other receivables and contract assets.

Finance costs

Finance costs of approximately HK\$65,000 (2022: approximately HK\$60,000) for the year ended 31 December 2023 represented interest expenses on lease liabilities.

Income tax expense

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 2023 and 2022.

Total comprehensive income attributable to equity shareholders of the Company

For the year ended 31 December 2023, the Group's profit and total comprehensive income attributable to equity shareholders of the Company was approximately HK\$680,000 (2022: approximately HK\$238,000).

Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

Trade and other receivables

Trade receivables decreased by approximately HK\$15,667,000 from approximately HK\$37,391,000 as at 31 December 2022 to approximately HK\$21,724,000 as at 31 December 2023. As at 31 December 2022, the trade receivable balance included payment certificate of approximately HK\$9,500,000 issued near the end of the financial year which contributed to a larger trade receivable balance when compared with that as 31 December 2023.

Retention receivables increased by approximately HK\$368,000 from approximately HK\$26,357,000 as at 31 December 2022 to approximately HK\$26,725,000 as at 31 December 2023. The slightly increase in retention receivables was the net effect of retention recovered and addition of retention according to the progress of the projects.

Deposits, prepayment and other receivables decreased by approximately HK\$1,599,000 from approximately HK\$4,413,000 as at 31 December 2022 to approximately HK\$2,814,000 as at 31 December 2023. The decrease in the balance was mainly due to decrease in wages paid on behalf of the contractor and the decrease in warehouse storage fee paid on behalf of the contractor near the end of financial year as at 31 December 2023.

Trade and other payables

Trade payables increased by approximately HK\$7,989,000 from approximately HK\$3,782,000 as at 31 December 2022 to approximately HK\$11,771,000 as at 31 December 2023. The increase was mainly due to the Group made large purchase of HVAC systems for projects installation near the end of financial year as at 31 December 2023.

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 property market has become more active with an increase in transactions after the cancellation of Special Stamp Duty and Buyer's Stamp Duty on 28 February 2024. Nonetheless, the odds are not to be underestimated. For example, interest rates are expected to remain at a relatively high level for a longer period than anticipated. In addition, the city's recovery from the pandemic has been weaker than anticipated. So the developers may carry out new development projects after deliberation and lead to reduction of tendering and keen competition.

Despite the adverse commercial environment and the overall uncertainties in the recent times, our management's strong capabilities and sound 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 with a view to getting more projects.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had net current assets of approximately HK\$150,233,000 as at 31 December 2023 (2022: approximately HK\$148,984,000). The quick ratio of the Group was approximately 8.3 times as at 31 December 2023 (2022: approximately 12.2 times). The Group generally financed its daily operations by its internal resources. The remaining unused net proceeds as at 31 December 2023 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 1.0% as at 31 December 2023 (2022: 0.9%).

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 2023.

CAPITAL EXPENDITURE

During the year ended 31 December 2023, the Group invested approximately HK\$1,874,000 (2022: approximately HK\$1,723,000) 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 2023, the Group had no significant capital commitments (2022: Nil).

CONTINGENT LIABILITIES

As at 31 December 2023, contingent liabilities not provided for in the consolidated financial statements were as follows:

	2023	2022
	HK\$'000	HK\$'000
Performance bonds given to customers for due and proper performance of projects undertaken by the Group's subsidiaries	–	3,848
Court proceedings (<i>Note</i>)	872	872
	872	4,720

Note:

In 2020, a subcontractor (“**the plaintiff**”) sued Man Tung Air-Conditioning Works Limited (“**Man Tung Works**”), a subsidiary of the Company for the amount due of HK\$871,664 for the ventilation fans installation works. Currently, Man Tung Works is waiting for 1st court session. Based on the legal advice and after consideration of possible business and financial impact, the directors believe stand a reasonable chance of success in defending the action and securing the counterclaims, therefore there is no present obligation to make any provision for the case at this stage.

CHARGES ON THE GROUP'S ASSETS

No property, plant and equipment has been pledged as at 31 December 2023 and 2022.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2023, the Group did not have any significant investment, material acquisition nor disposal of subsidiaries and affiliated companies (2022: 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 2023, the Group had 71 employees (2022: 71 employees) with total staff costs (including Directors' emoluments) of approximately HK\$32,157,000 incurred for the year ended 31 December 2023 (2022: approximately HK\$32,285,000). 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 2024
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 2023, 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 2023.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (the “**AGM**”) is scheduled on Thursday, 6 June 2024. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 3 June 2024 to Thursday, 6 June 2024 (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, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 31 May 2024.

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 2023 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 2023.

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 2023, 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 2023 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.manshingroup.com.hk and the Stock Exchange’s website at www.hkexnews.hk. The annual report for the year ended 31 December 2023 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, 27 March 2024

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.