

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**SH GROUP (HOLDINGS) LIMITED**

**順興集團(控股)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1637)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 MARCH 2017**

**FINANCIAL HIGHLIGHTS**

*(for the year ended 31 March 2017)*

- Revenue was HK\$290.4 million (2016: HK\$190.2 million)
- Gross profit was HK\$46.0 million (2016: HK\$36.7 million)
- Profit for the year attributable to owners of the Company was HK\$10.1 million (2016: HK\$23.6 million)
- Excluding the one-off listing expenses charged to profit or loss, the profit for the year attributable to owners of the Company was HK\$26.7 million (2016: HK\$25.2 million)
- Basic earnings per share was HK3.0 cents per share (2016: HK7.4 cents per share)

## ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of SH Group (Holdings) Limited (the “Company”) is pleased to present the consolidated results of the Company and its subsidiaries (collectively as the “Group”) for the year ended 31 March 2017 (the “Year” or “FY2017”), together with the comparative figures for the year ended 31 March 2016 (“Last Year” or “FY2016”) as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

		<b>For the year ended 31 March</b>	
		<b>2017</b>	2016
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
Revenue	4	<b>290,383</b>	190,242
Direct costs		<b>(244,392)</b>	(153,493)
Gross profit		<b>45,991</b>	36,749
Other income		<b>426</b>	569
Other gains and losses		<b>180</b>	1,190
Administrative expenses		<b>(13,811)</b>	(7,877)
Listing expenses		<b>(16,674)</b>	(1,515)
Finance costs		<b>(458)</b>	(515)
Profit before taxation		<b>15,654</b>	28,601
Income tax expense	5	<b>(5,602)</b>	(4,953)
Profit for the year		<b>10,052</b>	23,648
Other comprehensive expense:			
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on available-for-sale financial assets		—	(682)
Cumulative gain reclassified from equity to profit or loss upon disposal of available-for-sale financial assets		—	(1,354)
Other comprehensive expense for the year		—	(2,036)
Total comprehensive income for the year		<b>10,052</b>	21,612
Earnings per share	6		
– Basic (HK cents)		<b>3.0</b>	7.4
– Diluted (HK cents)		<b>3.0</b>	N/A*

\* Not applicable

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2017*

		As at 31 March	
		2017	2016
		HK\$'000	HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property and equipment		22,857	23,496
Deposits		1,911	1,473
Pledged bank deposits		31,188	—
Deferred tax assets		27	—
		55,983	24,969
<b>Current assets</b>			
Trade receivables	8	20,257	28,506
Other receivables, deposits and prepayments		35,661	26,652
Amounts due from customers for contract work	9	53,583	23,704
Bank balances and cash		100,259	57,082
		209,760	135,944
<b>Current liabilities</b>			
Trade payables	10	19,048	12,431
Other payables and accrued charges		33,556	18,636
Amounts due to customers for contract work	9	4,727	8,530
Amounts due to directors		—	4,800
Tax payable		636	8,539
Bank borrowings		14,963	17,219
		72,930	70,155
<b>Net current assets</b>		136,830	65,789
<b>Total assets less current liabilities</b>		192,813	90,758
<b>Non-current liabilities</b>			
Deferred tax liabilities		—	21
Provisions		357	364
		357	385
<b>Net assets</b>		192,456	90,373
<b>Capital and reserves</b>			
Issued share capital	11	4,000	258
Reserves		188,456	90,115
<b>Equity attributable to owners of the Company</b>		192,456	90,373

**Notes:**

**1. GENERAL INFORMATION**

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 9 May 2016. The address of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Units 605-606, 6/F., Tower I, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Kowloon, Hong Kong, respectively. Its immediate and ultimate holding company is Prosperously Legend Limited ("Prosperously Legend"), which was incorporated in the British Virgin Islands ("BVI") and wholly owned by Mr. Yu Cheung Choy ("Mr. Yu"), who is also the Chairman and executive Director of the Company. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 3 January 2017 (the "Listing Date") through global offering (the "Global Offering") as described in the section "Structure and Condition of the Global Offering" in the prospectus of the Company dated 19 December 2016 (the "Prospectus").

The Company and its subsidiaries (collectively as the "Group") are principally engaged in providing electrical and mechanical engineering ("E&M engineering") services in Hong Kong.

**2. BASIS OF PREPARATION**

In preparation of the listing of the Company's shares on the Stock Exchange, the Company underwent the reorganisation (the "Reorganisation") as described in the section "History, Reorganisation and Corporate Structure" in the Prospectus. Pursuant to the Reorganisation, the Company has become the holding company of the companies now comprising the Group on 30 June 2016. The Company and its subsidiaries have been under the common control of the controlling shareholders, namely Mr. Yu and Mr. Lau Man Ching ("Mr. Lau"), throughout the years ended 31 March 2016 and 2017 or since their respective dates of incorporation, where there is a shorter period. Accordingly, the consolidated financial statements have been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting For Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The consolidated statements of profit or loss and other comprehensive income for the years ended 31 March 2016 and 2017 include the results of the companies now comprising the Group as if the current group structure had been in existence throughout the years ended 2016 and 2017, or since their respective dates of incorporation, where there is a shorter period. The consolidated statement of financial position of the Group as at 31 March 2016 has been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at that date taking into account the respective dates of incorporation, where applicable.

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has consistently applied all the HKFRSs issued by the HKICPA that are effective for the Group’s financial year beginning on 1 April 2016 for both current and prior years.

#### **New and revised HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs and an interpretation (the “new and revised HKFRSs”) that have been issued but are not yet effective.

HKFRS 9	Financial instruments <sup>1</sup>
HKFRS 15	Revenue from contracts with customers and the related amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration <sup>1</sup>
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>3</sup>
Amendments to HKAS 7	Disclosure initiative <sup>4</sup>
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses <sup>4</sup>
Amendments to HKAS 40	Transfers of investment property <sup>1</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 Cycle <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

#### **HKFRS 15 “Revenue from contracts with customers”**

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including Hong Kong Accounting Standards (“HKAS”) 18 “Revenue”, HKAS 11 “Construction contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Having considered those engineering service contracts with customers entered into by the Group during the year ended 31 March 2017, the directors of the Company anticipated that the application of HKFRS 15 will have no material impact on the consolidated financial statements of the Group.

### **HKFRS 16 “Leases”**

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are currently presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group as lessee has non-cancellable operating lease commitments of HK\$1,295,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

The directors of the Company anticipates that the application of other new and revised HKFRSs will have no material impact on the consolidated financial statements.

#### 4. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received or receivable from the engineering service contracts by the Group to external customers. The Group's operation is solely derived from E&M engineering services with the focus on the supply, installation and maintenance of mechanical, ventilation and air-conditioning system ("MVAC system") in Hong Kong during the year ended 31 March 2017 and 2016. For the purpose of resources allocation and performance assessment, the chief operating decision maker (that is, Mr. Yu and Mr. Lau) reviews the overall results and financial position of the Group as a whole prepared based on the Group's accounting policies. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

##### *Geographical information*

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered and the Group's property and equipment amounting to HK\$22,857,000 (2016: HK\$23,496,000) as at 31 March 2017 are all located in Hong Kong by physical location of assets.

##### *Information about major customers*

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year is as follows:

	For the year ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
Customer A	80,603	N/A*
Customer B	66,587	N/A*
Customer C	43,610	54,933
Customer D	N/A*	44,865

\* Revenue from the relevant customer was less than 10% of the Group's total revenue for the respective year

#### 5. INCOME TAX EXPENSE

	For the year ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
Hong Kong Profits Tax:		
Current tax		
– Provision for the year	5,668	5,025
– Over-provision in prior years	(18)	—
	5,650	5,025
Deferred taxation	(48)	(72)
	5,602	4,953

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profit for both years.

## 6. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

	<b>For the year ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company) (HK\$'000)	<u><b>10,052</b></u>	<u>23,648</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share ( <i>note</i> )	<u><b>339,287,671</b></u>	<u>320,000,000</u>

Note: The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for the year ended 31 March 2017 and 2016 has been adjusted for the Capitalisation Issue as defined in note 11 and taking into consideration the effect of the Reorganisation described in the section “History, Reorganisation and Corporate Structure” in the Prospectus. The directors of the Company considered the over-allotment option has no material impact on the calculation of diluted earnings per share for the year ended 31 March 2017.

## 7. DIVIDENDS

During the year ended 31 March 2016, Golden Light Engineering Limited (“Golden Light”), a subsidiary of the Company after the Reorganisation, declared and paid aggregate interim dividends of HK\$1,390,000 (HK\$5.560 per share) in respect of the year ended 31 March 2016 to its then shareholders, namely Mr. Yu and Mr. Lau.

Other than disclosed above, no dividend was paid or declared by any group entities during the years ended 31 March 2017 and 2016. The Board did not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: Nil).

## 8. TRADE RECEIVABLES

The Group grants credit terms of 30 days to its customers from the date of invoices on progress billings of contract works. An aged analysis of the trade receivables presented based on the invoice date at the end of each reporting period is as follows:

	As at 31 March	
	2017	2016
	HK\$'000	HK\$'000
0 - 30 days	10,500	23,502
31 - 60 days	7,563	2,598
61 - 90 days	1,291	101
Over 90 days	903	2,305
	<u>20,257</u>	<u>28,506</u>

## 9. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	As at 31 March	
	2017	2016
	HK\$'000	HK\$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	396,433	229,280
Less: Progress billings	(347,577)	(214,106)
	<u>48,856</u>	<u>15,174</u>
Analysed as:		
Amounts due from customers for contract work	53,583	23,704
Amounts due to customers for contract work	(4,727)	(8,530)
	<u>48,856</u>	<u>15,174</u>

## 10. TRADE PAYABLES

The credit period on purchases and subcontracting of contract work services ranges from 30 to 60 days generally. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 March	
	2017	2016
	HK\$'000	HK\$'000
Trade payables:		
0 - 30 days	6,875	11,482
31 - 60 days	12,173	781
Over 60 days	—	168
	<u>19,048</u>	<u>12,431</u>

## 11. ISSUED SHARE CAPITAL

### The Group

The issued share capital of the Group as at 1 April 2015 represented the aggregate share capital of Shun Hing E&M Engineering Limited (“Shun Hing HK”) and Golden Light. The issued share capital of the Group as at 31 March 2016 represented the aggregated share capital of Triumph Legend Limited (“Triumph Legend”) and Golden Light. The issued share capital of the Group as at 31 March 2017 represented the share capital of the Company.

### The Company

	Number of shares	Amount	
		HK\$	HK\$'000
Ordinary shares of HK\$0.01 each			
<b>Authorised:</b>			
At 9 May 2016			
(date of incorporation)	38,000,000	380,000	380
Increase in authorised share capital	<u>9,962,000,000</u>	<u>99,620,000</u>	<u>99,620</u>
At 31 March 2017	<u>10,000,000,000</u>	<u>100,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>			
At 9 May 2016			
(date of incorporation)	1	—	—
Issue of new shares	999	10	—
Capitalisation Issue	319,999,000	3,199,990	3,200
Issue of new shares through Global Offering	<u>80,000,000</u>	<u>800,000</u>	<u>800</u>
At 31 March 2017	<u>400,000,000</u>	<u>4,000,000</u>	<u>4,000</u>

The Company was incorporated on 9 May 2016 in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.

One nil-paid share was allotted and issued at par to the initial subscriber and was subsequently transferred to Prosperously Legend on 9 May 2016. On the same day, the Company allotted and issued 81 nil-paid shares and 18 nil-paid shares to Prosperously Legend and Simply Grace Limited (“Simply Grace”), which was incorporated in BVI and wholly owned by Mr. Lau, respectively.

On 30 June 2016, the Company acquired 820 shares and 180 shares in issue of Triumph Legend from Mr. Yu and Mr. Lau, respectively, representing 82% and 18% equity interest in Triumph Legend, at a consideration satisfied by (i) crediting as fully paid at par 82 and 18 nil-paid shares of the Company held by Prosperously Legend and Simply Grace, respectively; and (ii) allotment and issue of 369 and 81 shares of the Company, all credited as fully paid at par, to Prosperously Legend and Simply Grace, at the instruction and direction of Mr. Yu and Mr. Lau, respectively.

On 30 June 2016, the Company acquired 1,640 shares and 360 shares in issue of Blissful Choice Limited (“Blissful Choice”) from Mr. Yu and Mr. Lau, respectively, representing 82% and 18% equity interest in Blissful Choice, at a consideration settled by way of allotment and issue of 369 and 81 shares of the Company, all credited as fully paid at par, to Prosperously Legend and Simply Grace, at the instruction and direction of Mr. Yu and Mr. Lau, respectively.

Pursuant to the written resolutions passed by the shareholders of the Company on 6 December 2016, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$100,000,000 divided into 10,000,000,000 shares by the creation of an additional 9,962,000,000 shares of HK\$0.01 each.

Pursuant to the written resolutions passed by the shareholders of the Company on 6 December 2016, subject to the share premium account of the Company being credited as a result of the Global Offering, the directors of the Company were authorised to capitalise an amount of HK\$3,199,990 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 319,999,000 ordinary shares of the Company for allotment and issue to the then shareholders of the Company, on a pro rata basis (the “Capitalisation Issue”).

On 3 January 2017, the Company had issued 80,000,000 shares at HK\$1.20 per share to public shareholders through the Global Offering.

All ordinary shares issued rank pari passu with each other in all aspects.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in providing E&M engineering services in Hong Kong. We provide services in relation to the supply, installation and maintenance of MVAC system, and also provide services in relation to low voltage electrical system and other E&M system, including fire services system, plumbing and drainage system, in both private and public sectors.

### BUSINESS REVIEW

Our revenue increased by approximately HK\$100.2 million, or 52.7%, from approximately HK\$190.2 million for FY2016 to approximately HK\$290.4 million for FY2017, which was mainly due to the increase in number of projects in progress which contributed revenue and the increase in average contract size during FY2017, comparing to FY2016. Major projects awarded and major projects undertaken in FY2017 are outlined below.

#### Projects awarded in FY2017

During FY2017, we were awarded 20 projects with an aggregate contract sum of approximately HK\$162.3 million (out of which six projects with aggregate contract sum of approximately HK\$55.9 million were related to low voltage electrical system installation). The following table sets forth the particulars of the five largest projects awarded in FY2017 in terms of contract sum:

Key scope of work	Type (Residential/ Non-residential) <sup>(Note)</sup>	Date of award	Contract sum HK\$'million	Revenue recognised during FY2017 HK\$'million
MVAC system installation for a proposed property development at Kai Tak, Kowloon	Residential	2 June 2016	74.0	3.0
Low voltage electrical system installation for a proposed composite development at Yan Ching Street, Tuen Mun	Residential	28 March 2017	23.4	—
MVAC system installation for a proposed composite development at Yan Ching Street, Tuen Mun	Residential	28 March 2017	13.2	—
Low voltage electrical system installation for a proposed residential development at Fuk Wing Street, Sham Shui Po	Residential	13 March 2017	11.7	—
Low voltage electrical and MVAC system installation for alteration and addition for common area at Peak Road, Hong Kong	Residential	26 November 2016	10.8	0.2

Note: "Residential projects" refer to projects that involve residential flats while "Non-residential projects" refer to projects that do not involve residential flats.

## Major projects undertaken in FY2017

During FY2017, the Group continues to focus our efforts on the supply, installation and maintenance of MVAC system in both private and public sectors. Revenue contributed by projects relating to MVAC system accounted for approximately 99.3% for FY2017 (2016: 98.3%). The following table sets forth the particulars of the five largest projects undertaken in FY2017 in terms of revenue contribution:

<b>Key scope of work</b>	<b>Type (Residential/ Non-residential)</b>	<b>Date of award</b>	<b>Contract sum HK\$'million</b>	<b>Revenue recognised during FY2017 HK\$'million</b>
MVAC system installation for a remodeling project at Salisbury Road, Tsim Sha Tsui, Kowloon	Non-residential	4 July 2014	166.8	73.7
MVAC system installation for a proposed commercial development at Wai Yip Street, Kwun Tong, Kowloon	Non-residential	30 March 2015	94.5	66.6
MVAC system installation for a proposed property development at west rail Long Ping Station, Yuen Long, New Territories	Residential	10 December 2014	50.5	37.0
MVAC system installation for a university at Kowloon Tong, Kowloon	Non-residential	15 March 2016	16.3	15.7
MVAC system installation for a university at Shatin, New Territories	Non-residential	25 February 2016	29.9	14.7

## Recent Development

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 3 January 2017 (the "Listing"). The Listing improved our reputation and provided additional capital to the Group to explore business opportunities.

Subsequent to FY2017 and up to the date of this announcement, we were awarded seven projects with an aggregate contract sum of approximately HK\$102.8 million (out of which one project with contract sum of approximately HK\$32.8 million is related to low voltage electrical system installation). The Group will continue to submit tender for targeted and profitable projects in order to maintain a stable revenue growth, and aim at diversifying our projects in different E&M engineering services in order to reinforce our qualification in the industry.

## **FINANCIAL REVIEW**

### **Revenue**

Our revenue increased by approximately HK\$100.2 million, or 52.7%, from approximately HK\$190.2 million for FY2016 to approximately HK\$290.4 million for FY2017. Such increment was mainly due to the increase in number of projects in progress which contributed revenue and the increase in average contract size during FY2017, comparing to FY2016.

### **Gross profit and gross profit margin**

Our gross profit increased by approximately HK\$9.3 million, or 25.3% from approximately HK\$36.7 million for FY2016 to approximately HK\$46.0 million for FY2017. Our gross profit margin decreased by approximately 3.5 percentage point, from approximately 19.3% for FY2016 to approximately 15.8% for FY2017.

Our gross profit is generally affected by the change in project mix among residential projects (i.e. projects that involve residential flats) and non-residential projects (i.e. projects that do not involve residential flats). Residential projects generally offer a higher gross profit margin than non-residential projects because:

- (i) The equipment and material costs are generally lower for residential projects as: (a) certain residential projects we undertake may allow greater flexibility in the selection of suppliers. In these projects, we would source specifications-matching equipment and materials to be deployed at the most competitive pricing terms; (b) suppliers may offer discount to us if we make purchases of relatively large quantity of equipment; and (c) suppliers may be desirous of providing equipment and materials in certain projects so as to cultivate new business relationship with the property developers by adopting its brand for the targeted and forthcoming projects; and
- (ii) The subcontracting fees are usually lower for residential projects as they generally involve less complicated technicalities.

Residential projects and non-residential projects contributed approximately 70.2% and 29.8% of our revenue respectively for FY2016, and approximately 31.8% and 68.2% of our revenue respectively for FY2017. The decrease in revenue contribution by residential projects in FY2017 comparing to FY2016 was the major reason for the decrease in gross profit margin for the Year.

### **Other income**

Other income for FY2017 decreased by approximately HK\$0.2 million, from approximately HK\$0.6 million for FY2016 to approximately HK\$0.4 million for FY2017. The change was attributable to the combined effect of the decrease in dividends from available-for-sale financial assets and the increase in bank interest income.

### **Other gains and losses, net**

We recorded a decrease in net other gains from approximately HK\$1.2 million from FY2016 to approximately HK\$0.2 million for FY2017, mainly due to the decrease in cumulative gain reclassified from equity to profit or loss upon disposal of available-for-sale financial assets as all such financial assets were disposed during FY2016.

### **Administrative expenses**

Our administrative expenses increased by approximately HK\$5.9 million, or approximately 74.7%, from approximately HK\$7.9 million for FY2016 to approximately HK\$13.8 million for FY2017. The increase was mainly attributable to (i) the increase in staff costs of approximately HK\$2.3 million due to the increment in salary and bonus; (ii) increase in professional fees of approximately HK\$2.0 million due to the successful listing of the Group; and (iii) increase in rent and rates of approximately HK\$1.1 million mainly for the new office.

### **Finance costs**

Our finance costs solely represented bank interest expenses. The amount remained relatively stable, with an amount of approximately HK\$0.5 million for both FY2017 and FY2016.

### **Listing expenses**

The listing expenses increased by approximately HK\$15.2 million, or approximately 10.1 times, from approximately HK\$1.5 million for FY2016 to approximately HK\$16.7 million for FY2017. The increase was mainly due to the Group's successful listing in January 2017, while the majority of the work of professional parties for the Global Offering was performed in FY2017.

### **Income tax expenses**

Our income tax expenses increased by approximately HK\$0.6 million, from approximately HK\$5.0 million for FY2016 to approximately HK\$5.6 million for FY2017 due to the combined effect of the above factors. The effective tax rate for FY2017 was approximately 35.8%, which was higher compared to that of 17.3% for FY2016. The increase in effective tax rate for FY2017 was mainly due to the inclusion of HK\$16.7 million non-deductible listing expenses (2016: HK\$1.5 million). Excluding these one-off expenses from the profit before income tax, our effective tax rate for FY2017 would have been 17.3% (2016: 16.4%).

## **Profit attributable to owners of the Company**

Based on the above factors, profit attributable to owners of the Company decreased by approximately HK\$13.6 million, or approximately 57.4%, from approximately HK\$23.7 million for FY2016 to approximately HK\$10.1 million for FY2017.

Excluding the one-off listing expenses of approximately HK\$16.7 million being charged to the consolidated statement of profit or loss and other comprehensive income (2016: HK\$1.5 million), profit attributable to owners of the Company would have been approximately HK\$26.7 million, which was an increment of approximately HK\$1.5 million from approximately HK\$25.2 million for FY2016.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

### **Capital Structure**

As at 31 March 2017, the capital structure of the Group consisted of equity of approximately HK\$192.5 million (2016: HK\$90.4 million) and bank borrowings of approximately HK\$15.0 million (2016: HK\$17.2 million). For details, please refer to the paragraph headed “Bank borrowings” below.

### **Cash position and fund available**

During the Year, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows, bank borrowings and proceeds from the Global Offering.

As at 31 March 2017, our cash and cash equivalents were approximately HK\$100.3 million (2016: HK\$57.1 million). The Group also had bank deposits of approximately HK\$31.2 million (2016: Nil) pledged with banks to secure the bank borrowings and banking facilities including performance guarantees issued by the banks.

As at 31 March 2017, the current ratio of the Group was approximately 2.9 times (2016: 1.9 times).

### **Bank borrowings**

As at 31 March 2017, the Group had total bank borrowings of approximately HK\$15.0 million (2016: HK\$17.2 million). As at 31 March 2017, the Group had a facility agreement entered into with a bank with a facility limit of approximately HK\$59.4 million. Our Company had made undertakings relating to certain performance obligation of the controlling shareholders, namely Mr. Yu and Mr. Lau, pursuant to the facility agreement including the following: (i) Mr. Yu and Mr. Lau undertake to maintain majority shareholding of our Company; and (ii) Mr. Yu shall remain the chairman of our Company or we shall notify the bank 14 days in advance in case he ceases to be the chairman.

Subsequent to 31 March 2017 to the date of this announcement, the Group had entered into another facility agreement with a bank with a facility limit of HK\$30.0 million. Our Company had made undertakings relating to certain performance obligation of the controlling shareholders pursuant to the facility agreement including the following: (i) Mr. Yu and Mr. Lau undertake to maintain as the largest shareholders of the Company directly or indirectly; and (ii) Mr. Yu and Mr. Lau shall remain as the chairman or director of the Company.

## **GEARING RATIO**

As at 31 March 2017, the Group's gearing ratio was approximately 7.8% (2016: 19.1%), calculated as the bank borrowings divided by the total equity as at the end of the respective years and multiplied by 100%.

## **NET CURRENT ASSETS**

As at 31 March 2017, the Group had net current assets of HK\$136.8 million (2016: HK\$65.8 million). The increase in net current assets position was mainly attributable to the strengthening of the capital due to the Listing, and the net profit generated from the Group's operations during the Year.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from the banks to meet its liquidity requirements. The Board is not aware of any liquidity issue that may cast significant doubt on the Group's ability to continue as a going concern.

## **CAPITAL EXPENDITURES**

The Group's capital expenditures for the Year amounted to approximately HK\$0.8 million (2016: HK\$0.1 million), which was incurred due to the purchase of property and equipment.

## **FOREIGN EXCHANGE EXPOSURE**

The Group's revenue-generating activities and bank borrowings were transacted in Hong Kong Dollar, which is the functional and presentation currency of the Group. The Board considers that the Group was not exposed to significant foreign exchange risk, and had not employed any financial instrument for hedging. The Board will review the Group's foreign exchange risk and exposure from time to time and will apply hedging where necessary.

## **USE OF NET PROCEEDS FROM LISTING**

Based on the Offer Price of HK\$1.20 per share, the net proceeds of the 80,000,000 issued shares received by the Company was approximately HK\$69.0 million, after deducting the listing expenses borne by the Company. The proposed application of net proceeds as stated in the Prospectus has been adjusted according to the principles and proposed percentage of utilisation as specified in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

During the period from the the Listing Date to 31 March 2017, the net proceeds were used as follows:

	<b>Net proceeds from Global Offering</b> HK\$'million	<b>Utilisation in FY2017</b> HK\$'million	<b>Unutilised amount</b> HK\$'million
Development and expansion of E&M engineering services business	30.4	0.1	30.3
Provision of performance guarantees for projects on hand	29.7	29.7	—
Installation of Enterprise Resource Planning system	2.0	—	2.0
General working capital	6.9	6.9	—
	<u>69.0</u>	<u>36.7</u>	<u>32.3</u>

The Group held the unutilised net proceeds mainly in short-term deposits with licensed banks in Hong Kong.

## **FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES**

Save as disclosed below, the Group had no other contingent liabilities as at 31 March 2017:

As at 31 March 2017, performance guarantees of approximately HK\$28.6 million (2016: HK\$14.8 million) were given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantees have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance guarantees will be released upon completion of the contracts work.

## **PLEDGE OF ASSETS**

At 31 March 2017, the Group's bank deposits amounted to approximately HK\$31.2 million (2016: Nil) and leasehold land and buildings amounted to approximately HK\$21.3 million (2016: HK\$22.0 million) were pledged with banks to secure the bank borrowings and banking facilities including performance guarantees issued by the banks.

## **CAPITAL COMMITMENTS**

As at 31 March 2017, the Group did not have any capital commitments contracted but not provided for.

## **EMPLOYEES, TRAINING AND REMUNERATION POLICY**

As at 31 March 2017, the Group had a total of 82 employees (2016: 69). The remuneration offered to employees generally includes salaries, medical benefits and bonus. In general, the Group determines salaries of its employees based on each employee's qualification, position and seniority. The Group provides training to its employees according to the work requirements.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

Save as the Reorganisation of the Group as described in the section "History, Reorganisation and Corporate Structure" in the Prospectus, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during FY2017.

## **SIGNIFICANT INVESTMENTS HELD**

The Group did not have any significant investments held as at 31 March 2017.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

The Group did not have other plans for material investments or capital assets as at 31 March 2017.

## **FUTURE PROSPECTS**

The successful listing of the shares of the Company marked a meaningful and significant milestone in the history of the Group. With the net proceeds raised and the improved corporate image, we are able to explore further business opportunities in the E&M engineering industry.

The construction industry in Hong Kong also continued to grow in both public and private sectors. Whereas the public sector is having a strong growth due to the Hong Kong Government's initiative to increase public housing supply as well as infrastructure projects, the growth in private sector is also benefited by the Hong Kong Government's continuous effort in increasing land supply used for private residential housing units and commercial buildings through measures such as converting suitable government, institution or community sites in core business districts into commercial use.

The Board is therefore optimistic that the Group can maintain steady business growth due to its long-established reputation, experience and proven track record in the industry.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **Compliance with Corporate Governance Code**

The Company has adopted the code provisions set out in 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 of Hong Kong Limited (the “Listing Rules”) as its own code of corporate governance. The Board is of the opinion that the Company has complied with all the code provisions set out in the CG Code from the Listing Date and up to 31 March 2017,.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities since the Listing Date to 31 March 2017.

### **EVENTS AFTER THE REPORTING PERIOD**

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2017 and up to the date of this announcement.

### **REVIEW OF ANNUAL RESULT BY AUDIT COMMITTEE**

The Company has established the audit committee (the “Audit Committee”) on 6 December 2016 with written terms of reference in compliance with the Listing Rules as amended from time to time. The Audit Committee consists of three independent non-executive Directors and a non-executive Director. The Audit Committee had reviewed the Group’s consolidated financial statements of the FY2017, including the accounting principles and practices adopted by the Group, as well as the risk management and internal control systems of the Group.

### **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The 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 March 2017 as set out in this announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **FINAL DIVIDEND**

The Board did not recommend the payment of a final dividend for FY2017 (2016: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the identity of the shareholders to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 18 August 2017, the register of members of the Company will be closed from Monday, 14 August 2017 to Friday, 18 August 2017, both days inclusive, during which period no transfer of shares will be registered. All transfer of shares accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 11 August 2017.

## **ANNUAL REPORT**

The 2017 Annual Report will be published on the Company's website at <http://www.shunhingeng.com> and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk).

By order of the Board  
**SH Group (Holdings) Limited**  
**Yu Cheung Choy**  
*Chairman*

Hong Kong, 27 June 2017

*As at the date of this announcement, the Board comprises Mr. Yu Cheung Choy and Mr. Lau Man Ching as the executive Directors; Mr. Yu Ho Chi as the non-executive Director; and Mr. Lam Yim Nam, Mr. Lee Wing Kee and Mr. To Yan Ming, Edmond as the independent non-executive Directors.*