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**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 2018**

**FINANCIAL HIGHLIGHTS**

*(for the year ended 31 March 2018)*

- Revenue was HK\$367.9 million (2017: HK\$290.4 million)
- Gross profit was HK\$62.3 million (2017: HK\$46.0 million)
- Profit for the year attributable to owners of the Company was HK\$35.6 million (2017: HK\$10.1 million)
- Basic earnings per share was HK8.9 cents per share (2017: HK3.0 cents per share)
- Proposed final dividend is HK2.2 cents per share (2017: Nil)

## 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 2018 (the “Year” or “FY2018”), together with the comparative figures for the year ended 31 March 2017 (“Last Year” or “FY2017”) as follows:

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

*For the year ended 31 March 2018*

	<i>Notes</i>	<b>For the year ended 31 March</b>	
		<b>2018</b>	2017
		<b>HK\$'000</b>	HK\$'000
Revenue	4	<b>367,919</b>	290,383
Direct costs		<b>(305,588)</b>	(244,392)
Gross profit		<b>62,331</b>	45,991
Other income		<b>657</b>	426
Other gains and losses		—	180
Administrative expenses		<b>(19,400)</b>	(13,811)
Listing expenses		—	(16,674)
Finance costs		<b>(410)</b>	(458)
Profit before taxation		<b>43,178</b>	15,654
Income tax expense	5	<b>(7,592)</b>	(5,602)
Profit and total comprehensive income for the year		<b>35,586</b>	10,052
Earnings per share	6		
– Basic (HK cents)		<b>8.9</b>	3.0
– Diluted (HK cents)		<b>8.9</b>	3.0

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

		As at 31 March	
		2018	2017
	Notes	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property and equipment		22,121	22,857
Deposits		2,036	1,911
Pledged bank deposits		31,112	31,188
Deferred tax assets		13	27
		<u>55,282</u>	<u>55,983</u>
<b>Current assets</b>			
Trade receivables	8	23,172	20,257
Other receivables, deposits and prepayments		38,954	35,661
Amounts due from customers for contract work	9	39,217	53,583
Bank balances and cash		158,911	100,259
		<u>260,254</u>	<u>209,760</u>
<b>Current liabilities</b>			
Trade and bills payables	10	17,825	19,048
Other payables and accrued charges		38,992	33,556
Amounts due to customers for contract work	9	16,406	4,727
Tax payable		1,934	636
Bank borrowings		12,057	14,963
		<u>87,214</u>	<u>72,930</u>
<b>Net current assets</b>		<u>173,040</u>	<u>136,830</u>
<b>Total assets less current liabilities</b>		<u>228,322</u>	<u>192,813</u>
<b>Non-current liabilities</b>			
Provisions		280	357
<b>Net assets</b>		<u>228,042</u>	<u>192,456</u>
<b>Capital and reserves</b>			
Share capital		4,000	4,000
Reserves		224,042	188,456
<b>Equity attributable to owners of the Company</b>		<u>228,042</u>	<u>192,456</u>

**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 603-606, 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, which was incorporated in the British Virgin Islands 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") through global offering (the "Global Offering") as described in the section "Structure and Conditions 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**

Pursuant to a group 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"), who is the Chief Executive Officer and executive Director of the Company, throughout the year ended 31 March 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 statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 March 2017 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the year ended 31 March 2017, or since their respective dates of incorporation, where there is a shorter period.

**3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

**Amendments to HKFRSs that are mandatorily effective for the current accounting period**

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current accounting period:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the amendments to HKFRSs in the current accounting period has had no material impact on the Group's financial performance and positions for the current and prior accounting periods, but resulted in additional disclosures set out in the consolidated financial statements as described below.

## Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current accounting period. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in a note to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

## New and revised HKFRSs issued but not yet effective

The Group has not early applied any new and revised HKFRSs that have been issued but are not yet effective for the current accounting period.

## 4. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received or receivable from the engineering service contracts by the Group to external customers. The Group's revenue 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 years ended 31 March 2018 and 2017. For the purpose of resources allocation and performance assessment, the chief operating decision makers (that is, Mr. Yu and Mr. Lau) review 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\$22,121,000 as at 31 March 2018 (2017: HK\$22,857,000) 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 years is as follows:

	For the year ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Customer A	85,549	80,603
Customer B	69,732	N/A*
Customer C	58,626	N/A*
Customer D	53,024	N/A*
Customer E	N/A*	66,587
Customer F	N/A*	43,610

\* 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	
	2018	2017
	HK\$'000	HK\$'000
Hong Kong Profits Tax:		
Current tax		
– Provision for the year	7,602	5,668
– Over-provision in prior years	(24)	(18)
	<u>7,578</u>	<u>5,650</u>
Deferred taxation	14	(48)
	<u>7,592</u>	<u>5,602</u>

Hong Kong Profits Tax is calculated at 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:

	For the year ended 31 March	
	2018	2017
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>35,586</u>	<u>10,052</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>400,000,000</u>	<u>339,287,671</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 has been adjusted for the capitalisation issue as described in the section “History, Reorganisation and Corporate Structure” in the Prospectus and taking into consideration the effect of the group reorganisation. 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.

There was no dilutive potential ordinary share for the year ended 31 March 2018.

## 7. DIVIDENDS

No dividend was paid or declared by any group entities during the years ended 31 March 2018 and 2017. Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2018 of HK2.2 cents per ordinary share (approximately HK\$8.8 million in aggregate) has been proposed by the directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting.

## 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	
	2018	2017
	HK\$'000	HK\$'000
0 - 30 days	16,103	10,500
31 - 60 days	4,434	7,563
61 - 90 days	555	1,291
Over 90 days	2,080	903
	<u>23,172</u>	<u>20,257</u>

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

	As at 31 March	
	2018	2017
	HK\$'000	HK\$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	684,469	396,433
Less: Progress billings	(661,658)	(347,577)
	<u>22,811</u>	<u>48,856</u>
Analysed as:		
Amounts due from customers for contract work	39,217	53,583
Amounts due to customers for contract work	(16,406)	(4,727)
	<u>22,811</u>	<u>48,856</u>

## 10. TRADE AND BILLS 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 and bills payables presented based on the date of issuance of the bills at the end of each reporting period:

	<b>As at 31 March</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Trade payables:		
0 - 30 days	<b>7,147</b>	6,875
31 - 60 days	<b>8,284</b>	12,173
	<hr/> <b>15,431</b>	<hr/> 19,048
 Bills payables:		
0 - 30 days	<b>1,096</b>	—
31 - 60 days	<b>1,298</b>	—
	<hr/> <b>2,394</b>	<hr/> —
	<hr/> <b>17,825</b>	<hr/> 19,048

## 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\$77.5 million, or 26.7%, from approximately HK\$290.4 million for FY2017 to approximately HK\$367.9 million for FY2018, which was mainly due to the increase in average contract size of projects during FY2018, comparing to FY2017. Major projects awarded and major projects undertaken in FY2018 are outlined below.

#### Projects awarded in FY2018

During FY2018, we were awarded 33 projects with an aggregate contract sum of approximately HK\$755.1 million (out of which 2 projects with aggregate contract sum of approximately HK\$74.1 million were related to electrical system installation).

The following table sets forth the particulars of the five largest projects awarded in FY2018 in terms of contract sum:

Key scope of work	Type (Residential/ Non-residential) <sup>(Note)</sup>	Date of award	Contract sum HK\$'million
MVAC system installation for a proposed development at Kwun Tong	Residential	5 December 2017	199.8
MVAC system installation for a proposed development at Tai Wai	Non-Residential	12 September 2017	94.0
MVAC system installation for a proposed residential development at Pak Shek Kok, Tai Po	Residential	7 December 2017	80.7
MVAC system installation for a property development at Yuen Long	Residential	20 June 2017	69.9
MVAC system installation for a proposed residential development at Pak Shek Kok, Tai Po	Residential	24 October 2017	56.7

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 FY2018

During FY2018, 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 91.3% for FY2018 (2017: 99.3%).

The following table sets forth the particulars of the five largest projects undertaken in FY2018 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 FY2018 HK\$'million</b>
MVAC system installation for a remodeling project at Tsim Sha Tsui	Non-residential	4 July 2014	166.8	84.4
MVAC system installation for a proposed property development at Kai Tak	Residential	2 June 2016	74.0	68.3
MVAC system installation for a property development at Tseung Kwan O	Residential	25 February 2016	161.0	58.6
MVAC system installation for a property development at Tseung Kwan O	Residential	11 March 2016	53.1	50.0
MVAC system installation for a proposed commercial development at Kwun Tong	Non-residential	30 March 2015	94.5	34.4

### **Recent Development and Future Prospects**

Subsequent to FY2018 and up to the date of this announcement, we were awarded 1 project with a contract sum of approximately HK\$72.0 million, which was related to electrical system installation.

The construction industry and E&M engineering services industry in Hong Kong have continued to expand. The public sector is experiencing a strong growth under the Government's policies to increase public housing supply and implement infrastructure projects. The private sector has also benefited from the Hong Kong Government's effort in increasing land supply used for private residential and commercial development.

Despite the opportunities in the market, the Group is faced with certain industry-wide challenges, such as labour shortage problem and the increasing equipment and material costs, which will exert pressure on the Group's business. Besides, due to the intensified competition in the industry, the Group needs to adopt a more competitive pricing strategy to bid for sizable projects.

Having said that, the Group will continue to bid for targeted projects with reasonable profit margin and diversify our projects in different E&M engineering services in order to tap into the opportunities in the growing market. The Group takes a positive attitude in achieving a steady growth in our business in the years to come.

## **FINANCIAL REVIEW**

### **Revenue**

Our revenue increased by approximately HK\$77.5 million, or 26.7%, from approximately HK\$290.4 million for FY2017 to approximately HK\$367.9 million for FY2018. Such increment was mainly due to the increase in average contract size of projects during FY2018, comparing to FY2017.

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

Our gross profit increased by approximately HK\$16.3 million, or 35.4% from approximately HK\$46.0 million for FY2017 to approximately HK\$62.3 million for FY2018. Our gross profit margin increased by approximately 1.1 percentage point, from approximately 15.8% for FY2017 to approximately 16.9% for FY2018. The increase in gross profit margin was mainly attributable to a change in project mix towards more residential projects, which generally offer a higher gross profit margin than non-residential projects.

### **Other income**

Other income for FY2018 increased by approximately HK\$0.3 million, from approximately HK\$0.4 million for FY2017 to approximately HK\$0.7 million for FY2018. The change was mainly attributable to the increase in bank interest income.

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

We recorded a decrease in net other gains of approximately HK\$0.2 million for FY2018 because there was no gain on disposal of property and equipment in FY2018.

### **Administrative expenses**

Our administrative expenses increased by approximately HK\$5.6 million, or approximately 40.6%, from approximately HK\$13.8 million for FY2017 to approximately HK\$19.4 million for FY2018. The increase was mainly attributable to (i) the increase in staff costs of approximately HK\$3.9 million due to the increment in salary and bonus; and (ii) increase in professional fees of approximately HK\$1.1 million after the Listing.

### **Finance costs**

Our finance costs solely represented bank interest expenses. The amount remained relatively stable, with an amount of approximately HK\$0.4 million for FY2018 and HK\$0.5 million for FY2017.

### **Listing expenses**

Listing expenses of approximately HK\$16.7 million was incurred in FY2017. There was no listing expense incurred in FY2018 as the Listing was completed in January 2017.

### **Income tax expenses**

Our income tax expenses increased by approximately HK\$2.0 million, from approximately HK\$5.6 million for FY2017 to approximately HK\$7.6 million for FY2018 due to the combined effect of the above factors. The effective tax rate for FY2018 was approximately 17.6%, which was lower than that of 35.8% for FY2017. The decrease in effective tax rate for FY2018 was mainly due to the absence of HK\$16.7 million non-deductible listing expenses incurred in FY2017. Excluding these one-off listing expenses from the profit before income tax, the effective tax rate for FY2017 would have been 17.3%.

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

Based on the above factors, profit attributable to owners of the Company increased by approximately HK\$25.5 million, or approximately 2.5 times, from approximately HK\$10.1 million for FY2017 to approximately HK\$35.6 million for FY2018.

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 for FY2017, profit attributable to owners of the Company would have increased by approximately HK\$8.8 million for FY2018.

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

### **Capital Structure**

As at 31 March 2018, the capital structure of the Group consisted of equity of approximately HK\$228.0 million (2017: HK\$192.5 million) and bank borrowings of approximately HK\$12.1 million (2017: HK\$15.0 million).

### **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 the retained profits.

As at 31 March 2018, our cash and cash equivalents were approximately HK\$158.9 million (2017: HK\$100.3 million). The Group also had bank deposits of approximately HK\$31.1 million (2017: HK\$31.2 million) pledged with banks to secure the bank borrowings and banking facilities including performance guarantees issued by the banks.

As at 31 March 2018, the current ratio of the Group was approximately 3.0 times (2017: 2.9 times).

## **Bank borrowings**

As at 31 March 2018, the Group had total bank borrowings of approximately HK\$12.1 million (2017: HK\$15.0 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 2018 and prior to the date of this announcement, such facility agreement was renewed with a facility limit of approximately HK\$54.0 million. The above-mentioned undertakings relating to certain performance obligation of the controlling shareholders were replaced by the following obligation undertaken by the Group: (i) In case of Mr. Yu and Mr. Lau are not the major shareholders of the Company, the Group should notify the bank 14 days in advance; and (ii) In case of Mr. Yu is not entitled to be chairman of the Company, the Group should notify the bank 14 days in advance.

During FY2018, 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. The facility agreement remains effective up to the date of this announcement.

## **GEARING RATIO**

As at 31 March 2018, the Group's gearing ratio was approximately 5.3% (2017: 7.8%), 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 2018, the Group had net current assets of HK\$173.0 million (2017: HK\$136.8 million). The increase in net current assets position was mainly attributable to 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 FY2018 amounted to approximately HK\$0.8 million (2017: HK\$0.8 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 currency of the group entities. The Board considers that the Group was not exposed to significant foreign exchange risk, and had not entered into 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.

Up to 31 March 2018, the net proceeds were used as follows:

	<b>Net proceeds from Global Offering</b> HK\$'million	<b>Utilisation up to 31 March 2018</b> HK\$'million	<b>Unutilised amount</b> HK\$'million
Development and expansion of E&M engineering services business	30.4	7.2	23.2
Provision of performance guarantees for projects on hand	29.7	29.7	—
Installation of Enterprise Resource Planning system	2.0	0.3	1.7
General working capital	6.9	6.9	—
	<u>69.0</u>	<u>44.1</u>	<u>24.9</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 2018:

As at 31 March 2018, performance guarantees of approximately HK\$31.5 million (2017: HK\$28.6 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 2018, the Group's bank deposits amounted to approximately HK\$31.1 million (2017: HK\$31.2 million) and leasehold land and buildings amounted to approximately HK\$20.6 million (2017: HK\$21.3 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 2018, the Group did not have any capital commitments contracted but not provided for.

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

As at 31 March 2018, the Group had a total of 93 employees (2017: 82). 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**

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during FY2018.

## **SIGNIFICANT INVESTMENTS HELD**

The Group did not have any significant investments held as at 31 March 2018.

## **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 2018.

## **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 during the year ended 31 March 2018.

## **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 during the year ended 31 March 2018.

## **EVENTS AFTER THE REPORTING PERIOD**

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2018 and up to the date of this announcement.

## **REVIEW OF ANNUAL RESULTS 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 FY2018, 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 2018 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 Directors recommend the payment of a final dividend of HK2.2 cents per ordinary share for the year ended 31 March 2018 to be payable to the shareholders of the Company on Friday, 12 October 2018 to those shareholders whose names appear on the register of members on Friday, 14 September 2018. The payment of final dividend is subject to the approval of the shareholders at the annual general meeting of the Company to be held on Wednesday, 5 September 2018 (the "2018 AGM").

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Thursday, 30 August 2018 to Wednesday, 5 September 2018, both days inclusive, during the period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2018 AGM, all transfer of shares accompanied by the relevant certificates must be lodged with the Company's branch share registrar and transfer office 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 Wednesday, 29 August 2018.

For the purpose of determining the entitlement of the shareholders of the Company to the proposed final dividend, the register of members of the Company will be closed from Thursday, 13 September 2018 to Friday, 14 September 2018, both days inclusive, during the period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office 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 Wednesday, 12 September 2018.

## **ANNUAL REPORT**

The 2018 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, 22 June 2018

*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.*