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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)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018**

**FINANCIAL HIGHLIGHTS**

*(for the six months ended 30 September 2018)*

- Revenue was HK\$155.5 million (2017: HK\$182.9 million)
- Gross profit was HK\$15.6 million (2017: HK\$33.2 million)
- Profit for the period attributable to owners of the Company was HK\$5.6 million (2017: HK\$20.2 million)
- Basic earnings per share was HK1.4 cents per share (2017: HK5.1 cents per share)

## INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of SH Group (Holdings) Limited (the “Company”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively as the “Group”) for the six months ended 30 September 2018 (the “Current Period”), together with the comparative figures for the six months ended 30 September 2017 (the “Last Period”) as follows:

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

*For the six months ended 30 September 2018*

	<i>Notes</i>	<b>For the six months ended</b>	
		<b>2018</b>	<b>2017</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	4	<b>155,459</b>	182,900
Direct costs		<b>(139,819)</b>	(149,678)
Gross profit		<b>15,640</b>	33,222
Other income		<b>539</b>	323
Other gain		<b>202</b>	—
Administrative expenses		<b>(9,444)</b>	(8,841)
Finance costs		<b>(212)</b>	(206)
Profit before taxation		<b>6,725</b>	24,498
Income tax expense	5	<b>(1,114)</b>	(4,276)
Profit and total comprehensive income for the period		<b>5,611</b>	20,222
Earnings per share			
– Basic (HK cents)	6	<b>1.4</b>	5.1

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2018*

		As at	
	Notes	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property and equipment		22,096	22,121
Deposits		2,345	2,036
Pledged bank deposits		—	31,112
Financial assets at fair value through profit or loss		7,715	—
Deferred tax assets		—	13
		32,156	55,282
<b>Current assets</b>			
Trade receivables	8	24,380	23,172
Other receivables, deposits and prepayments		4,637	38,954
Contract assets	9	99,272	—
Amounts due from customers for contract work		—	39,217
Bank balances and cash		179,491	158,911
		307,780	260,254
<b>Current liabilities</b>			
Trade and bills payables	10	19,474	17,825
Other payables and accrued charges		53,004	38,992
Contract liabilities	9	34,629	—
Amounts due to customers for contract work		—	16,406
Tax payable		2,043	1,934
Bank borrowings		10,614	12,057
		119,764	87,214
<b>Net current assets</b>		<b>188,016</b>	173,040
<b>Total assets less current liabilities</b>		<b>220,172</b>	228,322
<b>Non-current liabilities</b>			
Provisions		312	280
Deferred tax liabilities		4	—
		316	280
<b>Net assets</b>		<b>219,856</b>	228,042
<b>Capital and reserves</b>			
Share capital		4,000	4,000
Reserves		215,856	224,042
<b>Equity attributable to owners of the Company</b>		<b>219,856</b>	228,042

**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 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**

The condensed consolidated financial statements of the Group for the six months ended 30 September 2018 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 March 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

**3. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2018.

**Application of new and amendments to HKFRSs and an interpretation**

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs and an interpretation have been applied in accordance with the relevant transition provisions in the respective standards and amendments and an interpretation which results in changes in accounting policies, amounts reported and/or disclosures as described below.

### ***3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers***

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from provision of E&M engineering services.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

#### ***3.1.1 Key changes in accounting policies resulting from application of HKFRS 15***

HKFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation.

Under HKFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The Group's revenue from engineering service contracts is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. With the performance obligation satisfied over time, the revenue recognised is measured at the progress towards complete satisfaction of the performance obligation. The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Previously, under HKAS 18, the Group's revenue from engineering service contracts is recognised based on the stage of completion at the end of each reporting period determined with reference to surveys of work performed to date relative to the total contract revenue as the directors of the Company considered such method measured reliably the engineering services performed.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

### *3.1.2 Summary of effects arising from initial application of HKFRS 15*

The following table summarises the impact of transition to HKFRS 15 on retained profits at 1 April 2018.

	<b>Impact of adopting HKFRS 15 at 1 April 2018 HK\$'000</b>
<b>Retained profits</b>	
Engineering services contracts recognised over time	(5,985)
Tax effects	988
	<hr/>
Impact at 1 April 2018	<b>(4,997)</b>
	<hr/> <hr/>

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018 HK\$'000	Reclassification HK\$'000	Remeasurement HK\$'000	Carrying amounts under HKFRS 15 at 1 April 2018* HK\$'000
<b>Current assets</b>				
Trade receivables	23,172	(2,467)	—	20,705
Other receivables, deposits and prepayments	38,954	(36,968)	—	1,986
Contract assets	—	76,185	4,098	80,283
Amounts due from customers for contract work	39,217	(39,217)	—	—
<b>Current liabilities</b>				
Other payables and accrued charges	38,992	(2,596)	—	36,396
Contract liabilities	—	16,535	10,083	26,618
Amounts due to customers for contract work	16,406	(16,406)	—	—
Tax payable	1,934	—	(988)	946
<b>Capital and reserves</b>				
Reserves	224,042	—	(4,997)	219,045

\* The amounts in this column are before the adjustments from the application of HKFRS 9.

Note: In relation to engineering services contracts previously accounted under HKAS 18, the Group applied input method in estimating the performance obligations satisfied upon the date of initial application of HKFRS 15. HK\$39,217,000 and HK\$13,939,000 of amounts due from/to customers for contract work under HKAS 18 were reclassified to contract assets and contract liabilities under HKFRS 15 respectively. HK\$36,968,000 of retention receivables was reclassified from other receivables, deposits and prepayments to contract assets under HKFRS 15. HK\$2,596,000 of other payables and accrued charges was reclassified to contract liabilities under HKFRS 15. HK\$2,467,000 of trade receivables was eliminated against amounts due to customers for contract work under HKFRS 15.

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

### Impact on the condensed consolidated statement of financial position

	Note	As reported HK\$'000	Adjustments HK\$'000	Amounts without application of HKFRS 15 HK\$'000
<b>Current assets</b>				
Trade receivables	(b)	24,380	757	25,137
Other receivables, deposits, and prepayments	(b)	4,637	38,614	43,251
Contract assets	(a), (b)	99,272	(99,272)	—
Amounts due from customers for contract work	(a), (b)	—	54,473	54,473
<b>Current liabilities</b>				
Other payables and accrued charges	(b)	53,004	2,713	55,717
Contract liabilities	(a), (b)	34,629	(34,629)	—
Amounts due to customers for contract work	(a), (b)	—	22,006	22,006
Tax payable		2,043	724	2,767
<b>Capital and reserves</b>				
Reserves		<u>215,856</u>	<u>3,758</u>	<u>219,614</u>

### Impact on the condensed consolidated statement of profit or loss and other comprehensive income

	Note	As reported HK\$'000	Adjustments HK\$'000	Amounts without application of HKFRS 15 HK\$'000
Revenue	(a)	155,459	(4,546)	150,913
Direct costs	(a)	(139,819)	3,043	(136,776)
<b>Profit before taxation</b>		6,725	(1,503)	5,222
Income tax expense		(1,114)	264	(850)
<b>Profit for the period</b>		<u>5,611</u>	<u>(1,239)</u>	<u>4,372</u>

Note:

- (a) The adjustments are arising from the different bases of measuring the stage of completion at the end of each reporting period under HKAS 18 and HKFRS 15.
- (b) Without application of HKFRS 15, the contract assets under HKFRS 15 will be reclassified as amounts due from customers for contract work and other receivable deposits as prepayments (for retention receivables) under HKAS 18, and the contract liabilities under HKFRS 15 will be reclassified as amounts due to customers for contract work and other payables and accrued charges under HKAS 18. The trade receivables will be reinstated with amounts due to customers for contract work for HKAS 18.

### **3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments**

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses (“ECL”) for financial assets and other items (for example, contract assets) and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

#### **3.2.1 Classification and measurement of financial assets and financial liabilities**

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

##### *Financial assets at fair value through profit or loss (“FVTPL”)*

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income (“FVTOCI”) or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other gain” line item.

The directors of the Company reviewed and assessed the Group’s financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15. The measurement categories for all financial assets and financial liabilities of the Group as at 1 April 2018 remain the same upon the application of HKFRS 9.

#### **3.2.2 Impairment under ECL model**

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables and deposits, pledged bank deposits, bank balances and cash and contract assets). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

As at 1 April 2018 and 30 September 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9 and considered the application of ECL model has no material impact to the financial position of the Group as at 1 April 2018 and 30 September 2018 and results of the Group for the six months ended 30 September 2018.

The application of the other amendments to HKFRSs and an interpretation in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

#### 4. REVENUE AND SEGMENT INFORMATION

##### Revenue

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") and low voltage electrical system in Hong Kong during the six months ended 30 September 2018 and 2017.

##### **Disaggregation of revenue**

	<b>For the six months ended 30 September 2018 HK\$'000 (Unaudited)</b>
Type of services (revenue recognised over time)	
– Supply, installation and maintenance of MVAC system	127,513
– Supply, installation and maintenance of low voltage electrical system	27,946
	<hr/>
	<b>155,459</b>
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The revenue recognised for the current period is mainly from private sector projects.

##### Segment information

For the purpose of resources allocation and performance assessment, the chief operating decision maker (that is, Mr. Yu and Mr. Lau Man Ching ("Mr. Lau"), who is the Chief Executive Officer and executive Director of the Company) 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.

##### **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\$22,096,000 (Unaudited) as at 30 September 2018 (As at 31 March 2018: HK\$22,121,000 (Audited)) 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 period is as follows:

	For the six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	65,761	N/A*
Customer B	21,746	N/A#
Customer C	15,872	N/A*
Customer D	N/A*	59,983
Customer E	N/A*	41,777
Customer F	N/A*	38,316

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

# No revenue was attributed from the relevant customer for the respective period.

### 5. INCOME TAX EXPENSE

	For the six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – Hong Kong Profits Tax	1,097	4,271
Deferred taxation	17	5
	<u>1,114</u>	<u>4,276</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

## 6. EARNINGS PER SHARE

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

	<b>For the six months ended 30 September</b>	
	<b>2018</b>	2017
	<b>(Unaudited)</b>	(Unaudited)
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company) (HK\$'000)	<u><b>5,611</b></u>	<u>20,222</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u><b>400,000,000</b></u>	<u>400,000,000</u>

There was no dilutive potential ordinary share for both periods.

## 7. DIVIDENDS

During the six months ended 30 September 2018, 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) was declared and payable to the shareholders of the Company. No dividend was paid or declared by the Company during the six months ended 30 September 2017. The Board did not declare any interim dividend for the six months ended 30 September 2018 (2017: 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:

	<b>As at</b>	
	<b>30 September 2018</b>	31 March 2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
0 - 30 days	<b>16,985</b>	16,103
31 - 60 days	<b>1,321</b>	4,434
61 - 90 days	<b>586</b>	555
Over 90 days	<b>5,488</b>	2,080
	<u><b>24,380</b></u>	<u>23,172</u>

## 9. CONTRACT ASSETS AND CONTRACT LIABILITIES

	As at 30 September 2018 HK\$'000 (Unaudited)
Contract assets	
Unbilled revenue from engineering services contracts	60,658
Retention receivables	38,614
	<u>99,272</u>
Contract liabilities	
Engineering services contracts	<u>34,629</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:

	As at	
	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Trade payables:		
0 - 30 days	13,305	7,147
31 - 60 days	6,169	8,284
	<u>19,474</u>	<u>15,431</u>
Bills payables:		
0 - 30 days	—	1,096
31 - 60 days	—	1,298
	<u>—</u>	<u>2,394</u>
	<u>19,474</u>	<u>17,825</u>

## 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.

### BUSINESS REVIEW

Our revenue decreased by approximately HK\$27.4 million, or 15.0%, from approximately HK\$182.9 million for the Last Period to approximately HK\$155.5 million for the Current Period, since the majority of the projects undertaken during the Last Period were substantially completed in the year ended 31 March 2018 while some of the awarded projects currently on hand are at the early stage of project implementation, hence the revenue being recognised by the Group during the Current Period was minimal. Major projects awarded and major projects undertaken in the Current Period are outlined below.

#### Projects awarded in the Current Period

During the Current Period, we were awarded 13 projects with an aggregate contract sum of approximately HK\$350.3 million (out of which 1 project with contract sum of approximately HK\$72.0 million was related to electrical system installation). The following table sets forth the particulars of the five largest projects awarded in the Current Period in terms of contract sum:

<b>Key scope of work</b>	<b>Type (Residential/ Non-residential)<sup>(Note)</sup></b>	<b>Date of award</b>	<b>Contract sum HK\$'million</b>
MVAC system installation for a property development at Yuen Long	Non-residential	11 September 2018	120.0
Electrical system installation for a proposed residential development at Wong Chuk Hang	Residential	17 May 2018	72.0
MVAC system installation for a property development at Pak Shek Kok, Tai Po	Residential	10 August 2018	64.0
MVAC system installation for a residential development at Tuen Mun	Residential	21 June 2018	58.0
MVAC system installation for a property development at Sai Kung	Residential	17 July 2018	13.4

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 the Current Period

During the Current Period, the Group continued to focus our efforts on the supply, installation and maintenance of MVAC system and low voltage electrical system. Revenue contributed by projects relating to MVAC system and low voltage electrical system accounted for approximately 82.0% and 18.0% respectively for the Current Period (2017: 97.8% and 2.2%). The following table sets forth the particulars of the five largest projects undertaken in the Current Period in terms of revenue contribution:

Key scope of work	Type (Residential/ Non-residential)	Date of award	Contract sum HK\$'million	Revenue recognised during the Current Period HK\$'million
MVAC system installation for a property development at Tseung Kwan O	Residential	25 February 2016	161.0	65.8
MVAC system installation for a property development at Yuen Long	Residential	20 June 2017	69.9	21.1
Electrical system installation for a proposed composite building at North Point	Residential	9 May 2017	32.8	15.9
MVAC system installation for a remodeling project at Tsim Sha Tsui	Non-residential	4 July 2014	166.8	7.3
MVAC system installation for a proposed residential development at Pak Shek Kok, Tai Po	Residential	7 December 2017	80.7	4.2

## Recent development and Future prospects

Subsequent to the Current Period and up to the date of this announcement, we were awarded 2 projects with an aggregate contract sum of approximately HK\$60.8 million in relation to MVAC system installation.

Looking forward to the second half of the financial year ending 31 March 2019, despite the opportunities arising from the continuous growth in construction industry in both private and public sector, the Group is faced with certain industry-wide challenges, such as labour shortage problem and the increasing equipment, labour and material costs, and intensified competition in the industry, which will exert pressure on the Group's business and profitability. The Group continues to leverage our reputation and qualification in the industry to undertake the existing projects in progress and the newly awarded projects. For the purpose of maintaining a stable revenue growth, the Group will continue to bid for targeted projects with reasonable profit margin and diversify our projects in different E&M engineering services.

## **FINANCIAL REVIEW**

### **Revenue**

Our revenue decreased by approximately HK\$27.4 million, or 15.0%, from approximately HK\$182.9 million for the Last Period to approximately HK\$155.5 million for the Current Period, since the majority of the projects undertaken during the Last Period were substantially completed in the year ended 31 March 2018 while some of the awarded projects currently on hand are at the early stage of project implementation, hence the revenue being recognised by the Group during the Current Period was minimal.

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

Our gross profit decreased by approximately HK\$17.6 million, or 53.0% from approximately HK\$33.2 million for the Last Period to approximately HK\$15.6 million for the Current Period. Our gross profit margin decreased by approximately 8.1 percentage points, from approximately 18.2% for the Last Period to approximately 10.1% for the Current Period.

The decrease in gross profit and gross profit margin was mainly due to (i) intensified competition in the industry faced by the Group that the Group adopted a more competitive pricing strategy in securing new projects; and (ii) increase in direct staff costs as a result of more employees were hired to handle the awarded projects currently on hand.

### **Other income**

Other income for the Current Period increased by approximately HK\$0.2 million, from approximately HK\$0.3 million for the Last Period to approximately HK\$0.5 million for the Current Period. The increase was mainly attributable to the effect of the increase in bank interest income.

### **Other gain**

We recorded an increase in other gain of approximately HK\$0.2 million for the Current Period, which was attributable to the fair value gain on financial assets at fair value through profit or loss.

### **Administrative expenses**

Our administrative expenses increased by approximately HK\$0.6 million, or approximately 6.8%, from approximately HK\$8.8 million for the Last Period to approximately HK\$9.4 million for the Current Period. The increase was mainly attributable to the increase in rental expenses and building management fee of approximately HK\$0.4 million for the additional office units rented during the Current Period.

### **Finance costs**

Our finance costs solely represented interest expenses on bank borrowings. The amount remained relatively stable, with an amount of approximately HK\$0.2 million for both periods.

### **Income tax expenses**

Our income tax expenses decreased by approximately HK\$3.2 million, from approximately HK\$4.3 million for the Last Period to approximately HK\$1.1 million for the Current Period due to the combined effect of the above factors. The effective tax rate for the Current Period was approximately 16.6% (2017: 17.5%).

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

Based on the above factors, profit attributable to owners of the Company decreased by approximately HK\$14.6 million or approximately 72.3%, from approximately HK\$20.2 million for the Last Period to approximately HK\$5.6 million for the Current Period.

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

### **Capital Structure**

As at 30 September 2018, the capital structure of the Group consisted of equity of approximately HK\$219.9 million (31 March 2018: HK\$228.0 million) and bank borrowings of approximately HK\$10.6 million (31 March 2018: HK\$12.1 million). For details, please refer to the paragraph headed “Bank borrowings” below.

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

During the Current Period, 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 30 September 2018, our cash and cash equivalents were approximately HK\$179.5 million (31 March 2018: HK\$158.9 million). The bank deposits of approximately HK\$31.1 million pledged with a bank as at 31 March 2018 to secure the bank borrowings and banking facilities including performance guarantees issued by the bank was released during the Current Period.

As at 30 September 2018, the current ratio of the Group was approximately 2.6 times (31 March 2018: 3.0 times).

## **Bank borrowings**

As at 30 September 2018, the Group had total bank borrowings of approximately HK\$10.6 million (31 March 2018: HK\$12.1 million). As at 31 March 2018, 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. During the Current Period, 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. This facility agreement remained effective as at 30 September 2018.

As at 31 March 2018 and 30 September 2018, other than disclosed above, the Group had made undertakings relating to certain performance obligation of the controlling shareholders pursuant to another facility agreement entered with a bank with a facility limit of HK\$30.0 million 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 30 September 2018, the Group's gearing ratio was approximately 4.8% (31 March 2018: 5.3%), calculated as the bank borrowings divided by the total equity as at the end of the respective periods and multiplied by 100%.

## **NET CURRENT ASSETS**

As at 30 September 2018, the Group had net current assets of approximately HK\$188.0 million (31 March 2018: HK\$173.0 million). The increase in net current assets position was mainly attributable to the release of pledged bank deposits, offset by the purchase of financial assets at fair value through profit or loss and declaration of final dividend in respect of the year ended 31 March 2018 payable to the shareholders of the Company during the Current Period.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with covenants in relation to banking facility agreements, 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 Current Period amounted to approximately HK\$0.7 million (2017: HK\$0.4 million), which was incurred for 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

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 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").

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" in the Prospectus.

Up to 30 September 2018, the net proceeds were used as follows:

	<b>Net proceeds from Global Offering</b>	<b>Utilisation up to 30 September 2018</b>	<b>Unutilised amount</b>
	HK\$'million	HK\$'million	HK\$'million
Development and expansion of E&M engineering services business	30.4	15.5	14.9
Provision of performance guarantees for projects on hand	29.7	29.7	—
Installation of Enterprise Resource Planning system	2.0	0.5	1.5
General working capital	6.9	6.9	—
	<u>69.0</u>	<u>52.6</u>	<u>16.4</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 30 September 2018:

As at 30 September 2018, performance guarantees of approximately HK\$36.2 million (31 March 2018: HK\$31.5 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**

As at 30 September 2018, the Group's leasehold land and buildings amounted to approximately HK\$20.3 million (31 March 2018: HK\$20.6 million) were pledged with banks to secure the bank borrowings and banking facilities including performance guarantees issued by the banks. The bank deposits of approximately HK\$31.1 million pledged with a bank as at 31 March 2018 to secure the bank borrowings and banking facilities including performance guarantees issued by that bank was released during the Current Period.

## **CAPITAL COMMITMENTS**

As at 30 September 2018, the Group did not have any capital commitments contracted but not provided for.

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

As at 30 September 2018, the Group had a total of 113 employees (31 March 2018: 93). 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 the Current Period.

## **SIGNIFICANT INVESTMENTS HELD**

The Group did not have any significant investments held as at 30 September 2018.

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

The Group did not have other plans for material investments or capital assets as at 30 September 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 to the Rules Governing the Listing of Securities on the Stock Exchange (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 Current Period.

### **Directors’ Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the Current Period.

## **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 Current Period.

## **EVENTS AFTER THE REPORTING PERIOD**

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2018 and up to the date of this announcement.

## **REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE**

The audit committee of the Company had reviewed the Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 September 2018, including the accounting principles and practices adopted by the Group.

## **REVIEW OF INTERIM RESULTS BY AUDITOR**

The unaudited condensed consolidated results of the Group for the six months ended 30 September 2018 have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu, certified public accountants in Hong Kong.

## **INTERIM DIVIDEND**

The Board did not declare any interim dividend for the Current Period (2017: Nil).

## **INTERIM REPORT**

The 2018/2019 Interim Report will be published on the Company's website at [www.shunhingeng.com](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 November 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.*