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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 2020**

**FINANCIAL HIGHLIGHTS**

*(for the year ended 31 March 2020)*

- Revenue was approximately HK\$568.4 million (2019: HK\$396.3 million)
- Gross profit was approximately HK\$54.8 million (2019: HK\$47.6 million)
- Profit for the year attributable to owners of the Company was approximately HK\$26.0 million (2019: HK\$22.7 million)
- Basic earnings per share was approximately HK6.5 cents per share (2019: HK5.7 cents per share)
- Proposed final dividend is HK1.7 cents per share (2019: HK1.4 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 2020 (the “Year” or “FY2020”), together with the comparative figures for the year ended 31 March 2019 (“Last Year” or “FY2019”) as follows:

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

For the year ended 31 March 2020

		For the year ended 31 March	
		2020	2019
	Notes	HK\$'000	HK\$'000
Revenue	3	568,428	396,348
Direct costs		<u>(513,663)</u>	<u>(348,704)</u>
Gross profit		54,765	47,644
Other income		1,995	1,324
Other gain and loss		(3,057)	979
Impairment losses under expected credit loss model, net of reversal		(266)	(2,811)
Administrative expenses		(21,008)	(19,463)
Finance costs		<u>(653)</u>	<u>(396)</u>
Profit before taxation		31,776	27,277
Income tax expense	4	<u>(5,749)</u>	<u>(4,580)</u>
Profit and total comprehensive income for the year		<u>26,027</u>	<u>22,697</u>
Earnings per share			
— Basic (HK cents)	5	<u>6.5</u>	<u>5.7</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

		As at 31 March	
		2020	2019
	Notes	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property and equipment		21,662	21,665
Right-of-use assets		6,340	–
Deposits		2,585	2,654
Debt instruments at amortised cost		1,951	2,155
Financial assets at fair value through profit or loss		11,693	10,434
Deferred tax assets		138	232
		<u>44,369</u>	<u>37,140</u>
<b>Current assets</b>			
Trade receivables	7	59,812	56,155
Other receivables, deposits and prepayments		7,656	3,685
Contract assets	8	131,565	143,980
Tax recoverable		–	3,723
Debt instruments at amortised cost		2,155	–
Short term bank deposits		–	28,000
Bank balances and cash		139,353	71,315
		<u>340,541</u>	<u>306,858</u>
<b>Current liabilities</b>			
Trade payables	9	32,144	36,683
Other payables and accrued charges		68,199	49,764
Contract liabilities	8	11,328	11,071
Lease liabilities		2,294	–
Tax payable		1,888	–
Bank borrowings		6,816	9,164
		<u>122,669</u>	<u>106,682</u>
<b>Net current assets</b>		<u>217,872</u>	<u>200,176</u>
<b>Total assets less current liabilities</b>		<u>262,241</u>	<u>237,316</u>
<b>Non-current liabilities</b>			
Provisions		574	374
Lease liabilities		4,298	–
		<u>4,872</u>	<u>374</u>
<b>Net assets</b>		<u>257,369</u>	<u>236,942</u>
<b>Capital and reserves</b>			
Share capital		4,000	4,000
Reserves		253,369	232,942
<b>Equity attributable to owners of the Company</b>		<u>257,369</u>	<u>236,942</u>

*Notes:*

**1. GENERAL INFORMATION**

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 9 May 2016. The address of the Company's registered office and the principal place of business in Hong Kong 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 of the Board and executive Director. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 3 January 2017.

The Group is principally engaged in providing electrical and mechanical engineering (“E&M engineering”) services in Hong Kong.

**2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

**New and amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

**HKFRS 16 “Leases”**

The Group has applied HKFRS 16 “Leases” (“HKFRS 16”) for the first time in the current year. HKFRS 16 superseded Hong Kong Accounting Standard (“HKAS”) 17 “Leases” (“HKAS 17”), and the related interpretations.

*Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

*As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee’s incremental borrowing rate applied is 4.82%.

	<b>At 1 April 2019</b> <i>HK\$’000</i>
Operating lease commitments disclosed as at 31 March 2019	4,443
Lease liabilities discounted at relevant incremental borrowing rates	4,230
Add: Extension options reasonably certain to be exercised	3,464
Less: Practical expedient — leases with lease term ending within 12 months from the date of initial application	(75)
Lease liabilities upon application of HKFRS 16 as at 1 April 2019	7,619
Analysed as	
Current	1,825
Non-current	5,794
	7,619

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	<i>Notes</i>	<b>At 1 April 2019</b> <i>HK\$’000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		7,619
Add: Adjustments on rental deposits at 1 April 2019	(a)	89
Less: Accrued lease liabilities relating to rent free period at 1 April 2019	(b)	(232)
		7,476
By class:		
Leased properties		7,476

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 April 2019. Line items that were not affected by the changes have not been included.

	<i>Notes</i>	<b>Carrying amounts previously reported at 31 March 2019 HK\$'000</b>	<b>Adjustments HK\$'000</b>	<b>Carrying amounts under HKFRS 16 at 1 April 2019 HK\$'000</b>
<b>Non-current assets</b>				
Right-of-use assets		–	7,476	7,476
Deposits	(a)	2,654	(89)	2,565
<b>Current liabilities</b>				
Other payables and accrued charges	(b)	49,764	(232)	49,532
Lease liabilities		–	1,825	1,825
<b>Non-current liabilities</b>				
Lease liabilities		–	5,794	5,794

*Notes:*

(a) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under deposits. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$89,000 was adjusted to refundable rental deposits paid and right-of-use assets.

(b) Rent free period

These relate to accrued lease liabilities for a lease of office premises in which the lessor provided rent free period. The carrying amount of the lease incentive liabilities under other payables and accrued charges as at 1 April 2019 was adjusted to right-of-use assets at transition.

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

### **New and amendments to HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions <sup>5</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</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 1 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<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 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the “Amendments to References to the Conceptual Framework in HKFRS Standards”, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the Directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

#### ***Amendments to HKAS 1 and HKAS 8 “Definition of Material”***

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial positions and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

#### ***Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in HKFRS Standards***

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group’s annual periods beginning on or after 1 April 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

### 3. REVENUE AND SEGMENT INFORMATION

#### Revenue

Revenue represents the fair value of amounts received or receivable arising from the engineering service contracts of the Group from 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 years ended 31 March 2020 and 2019.

#### **Disaggregation of revenue**

	<b>For the year ended 31 March</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Type of services (revenue recognised over time)		
– Supply, installation and maintenance of MVAC system	<b>450,499</b>	315,233
– Supply, installation and maintenance of low voltage electrical system	<b>117,929</b>	81,115
	<b>568,428</b>	<b>396,348</b>

The revenue recognised for the current year is mainly from private sector projects.

#### Segment information

For the purpose of resources allocation and performance assessment, the executive directors of the Company, being the chief operating decision maker, review the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and only entity-wide disclosures, major customers and geographical information are presented.

#### **Geographical information**

The Group's revenue are all derived from Hong Kong based on the location of services delivered and the Group's property and equipment and right-of-use assets amounting to HK\$28,002,000 as at 31 March 2020 (2019: HK\$21,665,000) 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:

	<b>For the year ended 31 March</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Customer A	<b>137,369</b>	N/A*
Customer B	<b>113,389</b>	60,654
Customer C	<b>57,256</b>	79,091
Customer D	<b>N/A*</b>	<b>75,490</b>

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

#### 4. INCOME TAX EXPENSE

	For the year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Hong Kong Profits Tax:		
Current tax		
– Provision for the year	5,671	4,765
– (Over) under-provision in prior years	(16)	34
	<u>5,655</u>	<u>4,799</u>
Deferred taxation	94	(219)
	<u>5,749</u>	<u>4,580</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax for the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

#### 5. EARNINGS PER SHARE

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

	For the year ended 31 March	
	2020	2019
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company) (HK\$'000)	<u>26,027</u>	<u>22,697</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>400,000,000</u>	<u>400,000,000</u>

No diluted earnings per share for the years ended 31 March 2020 and 2019 was presented as there was no dilutive potential ordinary share in issue for both years.

#### 6. DIVIDENDS

During the year ended 31 March 2020, a final dividend in respect of the year ended 31 March 2019 of HK1.4 cents per ordinary share (HK\$5.6 million in aggregate) was declared and paid to the shareholders of the Company. Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2020 of HK1.7 cents per ordinary share (HK\$6.8 million in aggregate) has been proposed by the Directors and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

During the year ended 31 March 2019, a final dividend in respect of the year ended 31 March 2018 of HK2.2 cents per ordinary share (HK\$8.8 million in aggregate) was declared and paid to the shareholders of the Company.

## 7. TRADE RECEIVABLES

	As at 31 March	
	2020	2019
	HK\$'000	HK\$'000
Trade receivables	60,379	56,522
Less: Impairment loss allowance	(567)	(367)
	<u>59,812</u>	<u>56,155</u>

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 net of impairment loss allowance presented based on the invoice date at the end of each reporting period is as follows:

	As at 31 March	
	2020	2019
	HK\$'000	HK\$'000
0 – 30 days	47,209	41,833
31 – 60 days	11,194	10,498
61 – 90 days	697	1,708
Over 90 days	712	2,116
	<u>59,812</u>	<u>56,155</u>

## 8. CONTRACT ASSETS AND CONTRACT LIABILITIES

	As at 31 March	
	2020	2019
	HK\$'000	HK\$'000
Contract assets	134,075	146,424
Less: Impairment loss allowance	(2,510)	(2,444)
	<u>131,565</u>	<u>143,980</u>
Contract liabilities	<u>11,328</u>	<u>11,071</u>

## 9. 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	
	2020	2019
	HK\$'000	HK\$'000
Trade payables:		
0 – 30 days	13,743	15,017
31 – 60 days	18,401	21,666
	<u>32,144</u>	<u>36,683</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, in both private and public sectors.

### BUSINESS REVIEW

Our revenue increased by approximately HK\$172.1 million, or 43.4%, from approximately HK\$396.3 million for FY2019 to approximately HK\$568.4 million for FY2020. Major projects awarded and major projects undertaken in FY2020 are outlined below.

#### Projects awarded in FY2020

During FY2020, we were awarded 7 projects with an aggregate contract sum of approximately HK\$682.8 million, which were related to MVAC system installation.

The following table sets forth the particulars of the five largest projects awarded in FY2020 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 <i>HK\$ million</i></b>
MVAC system installation for a proposed residential development at Kai Tak, Kowloon	Residential	27 September 2019	235.6
MVAC system installation for a proposed residential development at Kai Tak, Kowloon	Residential	27 September 2019	163.8
MVAC system installation for a residential development at Wong Chuk Hang	Residential	9 May 2019	97.8
MVAC system installation for a proposed composite development at Kai Tak, Kowloon	Residential	3 June 2019	85.3
MVAC system and plumbing installations for the construction of schools at Fanling	Non-residential	10 June 2019	59.9

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

## Major projects undertaken in FY2020

During FY2020, 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 79.3% and 20.7% respectively (2019: 79.5% and 20.5%).

The following table sets forth the particulars of the five largest projects undertaken in FY2020 in terms of revenue contribution:

Key scope of work	Type (Residential/ Non-residential)	Date of award	Contract sum <i>HK\$'million</i>	Revenue recognised during FY2020 <i>HK\$'million</i>
MVAC system installation for a proposed development at Kwun Tong	Residential	5 December 2017	199.8	137.4
MVAC system installation for a residential development at Tuen Mun	Residential	14 November 2018	60.4	57.3
Electrical system installation for a proposed residential development at Ap Lei Chau	Residential	31 January 2019	214.3	46.3
MVAC system installation for a hospital at Tuen Mun	Non-residential	29 January 2019	59.1	41.9
MVAC system installation for a residential development at Tuen Mun	Residential	21 June 2018	58.0	41.3

## Recent Development

Subsequent to FY2020 and up to the date of this announcement, we were awarded 2 projects with an aggregate contract sum of approximately HK\$299.6 million, which were related to MVAC system installation.

## Future Prospects

The Hong Kong Government will continue to tackle the issues around the housing and land supply in Hong Kong by launching various policy initiatives on infrastructure. These initiatives such as the "Land Sharing Pilot Scheme", rezoning sites for housing development and development of brownfield sites etc., are beneficial to the construction industry and E&M engineering services industry in Hong Kong. The above initiatives, together with additional railway property development projects and redevelopment projects, will provide steady and continuous land supply for public and private residential development and commercial buildings, and hence will increase the demand on the construction and E&M engineering services in the future.

Despite various opportunities in the market, macro-environment factors like the spread of the Coronavirus Disease 2019 and the social uncertainties together with some industry-wide challenges cause threat and impact on our operation. In particular, stalling of building and construction schedule due to the impact of material supply chain and logistics and elevated competition in the economic slowdown and construction will exert pressure on the Group's business. In order to maintain stable revenue and earnings and achieve further growth in the future, the Group has diversified its businesses and adopted 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.

The Group continues to keep our endeavour to diversify our projects in different E&M engineering services. After registering as a Fire Service Installation Contractor in Classes 1 and 2 of the Fire Service Department in FY2019, the Group intends to further tap into different opportunities in the market including plumbing and drainage system as well as other E&M engineering services.

With our long-established reputation, experience and proven track record in the industry, 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\$172.1 million, or 43.4%, from approximately HK\$396.3 million for FY2019 to approximately HK\$568.4 million for FY2020. The increase in revenue was primarily attributable to (i) the increase in average contract size of the Group's projects in progress; and (ii) the increase in amount of work done of the Group's projects in accordance with work progress. Revenue contributed by projects relating to the supply, installation and maintenance of MVAC system and low voltage electrical system was approximately 79.3% and 20.7% respectively (2019: 79.5% and 20.5% respectively).

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

Our gross profit increased by approximately HK\$7.2 million, or 15.1% from approximately HK\$47.6 million for FY2019 to approximately HK\$54.8 million for FY2020. Our gross profit margin decreased by approximately 2.4 percentage points, from approximately 12.0% for FY2019 to approximately 9.6% for FY2020. The increase in gross profit was attributable to the combined net effect of increase in revenue and decrease in gross profit margin, which was mainly due to intensified competition in the industry faced by the Group and hence the Group adopted a more competitive pricing strategy in securing new projects.

### **Other income**

Other income for FY2020 increased by approximately HK\$0.7 million, from approximately HK\$1.3 million for FY2019 to approximately HK\$2.0 million for FY2020. The change was mainly attributable to the increase in interest income and dividend income.

## **Other gain and loss**

We recorded an other loss of approximately HK\$3.1 million for FY2020, which was attributable to the fair value loss of financial assets at fair value through profit or loss (“FVTPL”), comparing to the other gain of approximately HK\$1.0 million for FY2019 due to the fair value gain on financial assets at FVTPL.

## **Administrative expenses**

Our administrative expenses mainly represented administrative staff costs, professional fees and depreciation. The amount increased by approximately HK\$1.5 million, from approximately HK\$19.5 million for FY2019 to approximately HK\$21.0 million for FY2020.

## **Finance costs**

Our finance costs increased by approximately HK\$0.3 million, from approximately HK\$0.4 million for FY2019 to approximately HK\$0.7 million for FY2020. The amount represented interest expenses on bank borrowings and lease liabilities.

## **Income tax expenses**

Our income tax expenses increased by approximately HK\$1.1 million, from approximately HK\$4.6 million for FY2019 to approximately HK\$5.7 million for FY2020 due to the combined effect of the above factors. The effective tax rate for FY2020 was approximately 18.1% (2019: 16.8%).

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

Based on the above factors, profit attributable to owners of the Company increased by approximately HK\$3.3 million, or approximately 14.5%, from approximately HK\$22.7 million for FY2019 to approximately HK\$26.0 million for FY2020.

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

### **Capital Structure**

As at 31 March 2020, the capital structure of the Group consisted of equity of approximately HK\$257.4 million (2019: HK\$236.9 million) and bank borrowings of approximately HK\$6.8 million (2019: HK\$9.2 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 2020, the Group held cash and cash equivalents of approximately HK\$139.4 million (2019: HK\$71.3 million). The Group did not hold any short term bank deposits as at 31 March 2020 (2019: HK\$28.0 million).

As at 31 March 2020, the current ratio of the Group was approximately 2.8 times (2019: 2.9 times).

## **Bank borrowings**

As at 31 March 2020, the Group had total bank borrowings of approximately HK\$6.8 million (2019: HK\$9.2 million). As at 31 March 2020, the Group had a facility agreement entered into with a bank with a facility limit of HK\$80.0 million (2019: HK\$30.0 million). The Company had made undertakings relating to certain performance obligation of the controlling shareholders, namely Mr. Yu and Mr. Lau Man Ching (“Mr. Lau”), who is the chief executive officer of the Company and executive Director, 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 as at the date of this announcement.

As at 31 March 2020, the Group had another facility agreement entered into with a bank with a facility limit of approximately HK\$61.4 million (2019: HK\$54.0 million) with 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.

As at 31 March 2020, the Group had another facility agreement newly entered into with a bank during FY2020 with a facility limit of HK\$60.0 million with 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 and Mr. Lau are not entitled to be chairman or director of the Company, the Group should notify the bank 14 days in advance.

## **GEARING RATIO**

As at 31 March 2020, the Group’s gearing ratio was approximately 2.6% (2019: 3.9%), 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 2020, the Group had net current assets of approximately HK\$217.9 million (2019: HK\$200.2 million). The increase in net current asset position was mainly attributable to the net profit generated from the Group’s operations during FY2020, offset by declaration and payment of final dividend in respect of FY2019 to the shareholders of the Company during the Year.

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 FY2020 amounted to approximately HK\$1.4 million (2019: HK\$0.9 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 currency of the Group. 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

The shares of the Company were listed on the Main Board of 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" of the Prospectus.

Up to 31 March 2020, the net proceeds were fully utilised as follows:

	<b>Net proceeds from Global Offering</b> <i>HK\$'million</i>	<b>Utilisation up to 31 March 2020</b> <i>HK\$'million</i>	<b>Unutilised amount as at 31 March 2020</b> <i>HK\$'million</i>
<b>Intended use</b> <i>(Note)</i>			
Development and expansion of E&M engineering services business	30.4	30.4	–
Provision of performance guarantees for projects on hand	29.7	29.7	–
Installation of Enterprise Resource Planning system ("ERP system")	2.0	2.0	–
General working capital	6.9	6.9	–
	<u>69.0</u>	<u>69.0</u>	<u>–</u>

*Note:* Details of the intended use and the implementation plan are set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

## **PERFORMANCE GUARANTEES AND CONTINGENT LIABILITY**

As at 31 March 2020, performance guarantees of approximately HK\$121.8 million (2019: HK\$61.7 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.

The Group had no contingent liability as at 31 March 2020 and 2019.

## **PLEDGE OF ASSETS**

As at 31 March 2020, the Group's leasehold land and buildings amounted to approximately HK\$19.2 million (31 March 2019: HK\$19.9 million) were pledged with a bank to secure the bank borrowings and banking facilities including performance guarantees issued by the bank.

## **CAPITAL COMMITMENTS**

As at 31 March 2020, the Group had capital commitments of approximately HK\$0.2 million in relation to acquisition of property and equipment contracted but not provided for (2019: HK\$0.7 million).

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

As at 31 March 2020, the Group had a total of 146 employees (2019: 120). 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 FY2020.

## **SIGNIFICANT INVESTMENTS HELD**

The Group did not have any significant investments held as at 31 March 2020.

## **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 2020.

## **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 Year.

### **Non-compliance with Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules**

Following the pass away of Mr. To Yan Ming Edmond (“Mr. To”) as independent non-executive Director on 28 August 2019, the Company only had two independent non-executive Directors, thus the number of the independent non-executive Directors fell below the minimum number required under Rule 3.10(1) of the Listing Rules. The Company also failed to comply with Rule 3.10(2) of the Listing Rules with regard to at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. As a result of the insufficient number of independent non-executive Directors, the Company had also failed to comply with the requirements set out in Rule 3.21 of the Listing Rules with regard to the minimum number of members and the composition of the audit committee of the Company (the “Audit Committee”). Dr. Law Man Wah (“Dr. Law”) was appointed an independent non-executive Director on 1 November 2019, which was within three months from the date of pass away of Mr. To as required by Rules 3.11 and 3.23 of the Listing Rules.

Upon the appointment of Dr. Law, who has appropriate professional qualifications or accounting or related financial management expertise, as independent non-executive Director on 1 November 2019, the number of independent non-executive Directors satisfied the minimum number required under Rule 3.10(1) of the Listing Rules. The Company also met the requirement set out in Rule 3.10(2) of the Listing Rules with regard to at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. In addition, the Company had complied with the requirements set out under Rule 3.21 of the Listing Rules with regard to the composition of the Audit Committee.

### **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 during the Year.

## **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.

## **EVENTS AFTER THE REPORTING PERIOD**

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2020 and up to the date of this announcement.

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

The Company has established 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 currently consists of three independent non-executive Directors, namely Dr. Law Man Wah (as chairman), Mr. Lam Yim Nam and Mr. Lee Wing Kee. The Audit Committee has reviewed the Group's consolidated financial statements for the Year, 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 2020 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 HK1.7 cents per ordinary share for the year ended 31 March 2020 to be payable to the shareholders of the Company on Friday, 18 September 2020 to those shareholders whose names appear on the register of members on Friday, 4 September 2020. The payment of final dividend is subject to the approval of the shareholders of the Company at the annual general meeting of the Company to be held on Friday, 28 August 2020 (the "2020 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 2020 AGM, the register of members of the Company will be closed from Tuesday, 25 August 2020 to Friday, 28 August 2020, both days inclusive, during the period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2020 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m on Monday, 24 August 2020.

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, 3 September 2020 to Friday, 4 September 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 2 September 2020.

## **ANNUAL REPORT**

The 2019–20 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) in due course.

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

Hong Kong, 29 June 2020

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