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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 2021**

**FINANCIAL HIGHLIGHTS**

*(for the year ended 31 March 2021)*

- Revenue was approximately HK\$707.6 million (2020: HK\$568.4 million)
- Gross profit was approximately HK\$61.4 million (2020: HK\$54.8 million)
- Profit for the year attributable to owners of the Company was approximately HK\$44.1 million (2020: HK\$26.0 million)
- Basic earnings per share was approximately HK11.0 cents per share (2020: HK6.5 cents per share)
- Proposed final dividend is HK3.9 cents per share (2020: HK1.7 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 2021 (the “Year” or “FY2021”), together with the comparative figures for the year ended 31 March 2020 (“Last Year” or “FY2020”) as follows:

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

*For the year ended 31 March 2021*

		For the year ended 31 March	
		2021	2020
	Notes	HK\$'000	HK\$'000
Revenue	3	707,590	568,428
Direct costs		<u>(646,192)</u>	<u>(513,663)</u>
Gross profit		61,398	54,765
Other income		10,238	1,995
Other gain and loss		211	(3,057)
Net impairment loss reversed (recognised) under expected credit loss model		2,736	(266)
Administrative expenses		(23,060)	(21,008)
Finance costs		<u>(347)</u>	<u>(653)</u>
Profit before taxation		51,176	31,776
Income tax expense	4	<u>(7,042)</u>	<u>(5,749)</u>
Profit and total comprehensive income for the year		<u>44,134</u>	<u>26,027</u>
Earnings per share			
— Basic (HK cents)	5	<u>11.0</u>	<u>6.5</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

		As at 31 March	
	Notes	2021	2020
		HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property and equipment		20,311	21,662
Right-of-use assets		4,080	6,340
Deposits		2,755	2,585
Debt instruments at amortised cost		6,113	1,951
Financial assets at fair value through profit or loss		31,883	11,693
Deferred tax assets		6	138
		<u>65,148</u>	<u>44,369</u>
<b>Current assets</b>			
Trade receivables	7	88,834	59,812
Other receivables, deposits and prepayments		6,404	7,656
Contract assets	8	110,950	131,565
Debt instruments at amortised cost		5,003	2,155
Bank balances and cash		236,040	139,353
		<u>447,231</u>	<u>340,541</u>
<b>Current liabilities</b>			
Trade payables	9	61,265	32,144
Other payables and accrued charges		77,080	68,199
Contract liabilities	8	73,152	11,328
Lease liabilities		2,228	2,294
Tax payable		1,328	1,888
Bank borrowings		—	6,816
		<u>215,053</u>	<u>122,669</u>
<b>Net current assets</b>		<u>232,178</u>	<u>217,872</u>
<b>Total assets less current liabilities</b>		<u>297,326</u>	<u>262,241</u>
<b>Non-current liabilities</b>			
Provisions		507	574
Lease liabilities		2,116	4,298
		<u>2,623</u>	<u>4,872</u>
<b>Net assets</b>		<u>294,703</u>	<u>257,369</u>
<b>Capital and reserves</b>			
Share capital		4,000	4,000
Reserves		290,703	253,369
		<u>294,703</u>	<u>257,369</u>
<b>Equity attributable to owners of the Company</b>		<u>294,703</u>	<u>257,369</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")

In the current year, the Group has applied the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the amendments to HKFRSs in the current year 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.

### **Impacts on application of Amendments to HKAS 1 and HKAS 8 "Definition of Material"**

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

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

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 and the related Amendments <sup>5</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>4</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 <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>6</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>5</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>5</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>5</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>5</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>4</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 — 2020 <sup>4</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>6</sup> Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### 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 2021 and 2020.

## Disaggregation of revenue

	For the year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Type of services (revenue recognised over time)		
– Supply, installation and maintenance of MVAC system	573,885	450,499
– Supply, installation and maintenance of low voltage electrical system	133,705	117,929
	<u>707,590</u>	<u>568,428</u>

The revenue recognised for the years ended 31 March 2021 and 2020 are 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\$24,391,000 as at 31 March 2021 (2020: HK\$28,002,000) 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	
	2021	2020
	HK\$'000	HK\$'000
Customer A	234,049	N/A*
Customer B	106,916	N/A*
Customer C	84,080	113,389
Customer D	N/A*	137,369
Customer E	N/A*	57,256

\* 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	
	2021	2020
	HK\$'000	HK\$'000
Hong Kong Profits Tax:		
Current tax		
– Provision for the year	6,964	5,671
– Over-provision in prior years	(54)	(16)
	<u>6,910</u>	<u>5,655</u>
Deferred taxation	132	94
	<u>7,042</u>	<u>5,749</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	
	2021	2020
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company) (HK\$'000)	<u>44,134</u>	<u>26,027</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 2021 and 2020 was presented as there was no dilutive potential ordinary share in issue for both years.

## 6. DIVIDENDS

During the year ended 31 March 2021, 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) 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 2021 of HK3.9 cents per ordinary share (HK\$15.6 million in aggregate based on the number of the issued ordinary shares of the Company as at 31 March 2021) 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 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.

## 7. TRADE RECEIVABLES

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Trade receivables	89,037	60,379
Less: Impairment loss allowance	(203)	(567)
	<u>88,834</u>	<u>59,812</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	
	2021	2020
	HK\$'000	HK\$'000
0 – 30 days	85,146	47,209
31 – 60 days	114	11,194
61 – 90 days	3,488	697
Over 90 days	86	712
	<u>88,834</u>	<u>59,812</u>



## 8. CONTRACT ASSETS AND CONTRACT LIABILITIES

	As at 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets	111,033	134,075
Less: Impairment loss allowance	(83)	(2,510)
	<u>110,950</u>	<u>131,565</u>
Contract liabilities	<u>73,152</u>	<u>11,328</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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables:		
0 – 30 days	29,109	13,743
31 – 60 days	26,789	18,401
61 – 90 days	5,367	—
	<u>61,265</u>	<u>32,144</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 systems, including fire services system, plumbing and drainage system, in both private and public sectors.

### BUSINESS REVIEW

Our revenue increased by approximately HK\$139.2 million, or 24.5%, from approximately HK\$568.4 million for FY2020 to approximately HK\$707.6 million for FY2021. Major projects awarded and major projects undertaken in FY2021 are outlined below.

#### Projects awarded in FY2021

During FY2021, we were awarded 16 projects with an aggregate contract sum of approximately HK\$1,434.4 million (out of which 3 projects with an aggregate contract sum of approximately HK\$489.0 million were related to electrical system installation).

The following table sets forth the particulars of the five largest projects awarded in FY2021 in terms of contract sum:

Key scope of work	Type (Residential/ Non-residential) <sup>(Note)</sup>	Date of award	Contract sum <i>HK\$'million</i>
Electrical system installation for a proposed residential development at Sham Shui Po, Kowloon	Residential	19 February 2021	294.2
MVAC system installation for a commercial development at Chek Lap Kok	Non-residential	29 April 2020	275.0
MVAC system installation for a commercial development at Cheung Sha Wan, Kowloon	Non-residential	5 October 2020	171.0
MVAC system installation for a development at Cheung Sha Wan, Kowloon	Residential	23 September 2020	152.7
Electrical system installation for a proposed residential development at Tuen Mun	Residential	17 December 2020	106.0

*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 FY2021

During FY2021, 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 81.1% and 18.9% respectively (2020: 79.3% and 20.7%).

The following table sets forth the particulars of the five largest projects undertaken in FY2021 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 FY2021 <i>HK\$'million</i>
MVAC system installation for a proposed residential development at Kai Tak, Kowloon	Residential	27 September 2019	235.6	154.0
Electrical system installation for a proposed residential development at Ap Lei Chau	Residential	31 January 2019	214.3	85.3
MVAC system installation for a proposed composite development at Kai Tak, Kowloon	Residential	3 June 2019	85.3	70.3
MVAC system installation for a property development at Pak Shek Kok, Tai Po	Residential	10 August 2018	64.0	47.9
MVAC system installation for a proposed residential development at Tseung Kwan O	Residential	31 January 2018	50.0	40.6

## Recent Development

Subsequent to FY2021 and up to the date of this announcement, we were awarded 2 projects with an aggregate contract sum of approximately HK\$130.3 million, which were related to MVAC system installation.

## **OUTLOOK**

In the past year, the Coronavirus Disease 2019 (“Covid-19”) pandemic impacted the economy worldwide. Different industries were facing various levels of difficulties. The construction and E&M engineering services industry also faced, other than the impacts from the pandemic, the continuous challenges like the elevated competition, increase in the price of raw materials and shortage of human resources in the recent years.

Looking ahead, despite of the difficulties and challenges, there will be opportunities arising from the rebound of the economy. The Hong Kong Government announced to continue to invest and increase the construction output amount involved in infrastructure, this, together with the long-term initiatives like “Land Sharing Pilot Scheme”, rezoning sites for housing development and development of brownfield sites etc., will provide ample opportunities in the industry. In addition, the proposed land sale programme by the Hong Kong Government together with the railway property development projects and private development and redevelopment projects are expected to increase the demand for the construction and E&M engineering services in the coming years. Moreover, the Development Bureau and Construction Industry Council’s promotion of the “Construction 2.0” initiative in recent years by the use of advanced technologies, including Building Information Modelling (BIM), Modular Integrated Construction (MiC) and Design for Manufacture and Assembly (DfMA) used in the E&M engineering sector, has greatly improved the productivity of the industry.

With the challenges and opportunities discussed above, the Group will continue to keep our endeavour to maintain stable revenue and earnings and achieve further growth in the future by diversifying our projects in different E&M engineering services and adopting a more competitive pricing strategy to bid for various projects. Building on 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\$139.2 million, or 24.5%, from approximately HK\$568.4 million for FY2020 to approximately HK\$707.6 million for FY2021. The increase in revenue was primarily attributable to the increase in average contract size of the Group’s projects in progress. Revenue contributed by projects relating to the supply, installation and maintenance of MVAC system and low voltage electrical system was approximately 81.1% and 18.9% respectively (2020: 79.3% and 20.7% respectively).

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

Our gross profit increased by approximately HK\$6.6 million, or 12.0% from approximately HK\$54.8 million for FY2020 to approximately HK\$61.4 million for FY2021. Our gross profit margin decreased by approximately 0.9 percentage points, from approximately 9.6% for FY2020 to approximately 8.7% for FY2021. 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 FY2021 increased by approximately HK\$8.2 million, from approximately HK\$2.0 million for FY2020 to approximately HK\$10.2 million for FY2021. The increase was mainly attributable to the receipt of government grant of approximately HK\$8.0 million from the Employment Support Scheme launched by the Hong Kong Government.

## **Other gain and loss**

We recorded an other gain of approximately HK\$0.2 million for FY2021, which was attributable to the fair value gain of financial assets at fair value through profit or loss (“FVTPL”), comparing to the other loss of approximately HK\$3.1 million for FY2020 due to the fair value loss on financial assets at FVTPL.

## **Net impairment loss reversed (recognised) under expected credit loss model**

We recorded a reversal of net impairment loss under expected credit loss model of approximately HK\$2.7 million for FY2021, comparing to a recognition of net impairment loss under expected credit loss model of approximately HK\$0.3 million for FY2020.

## **Administrative expenses**

Our administrative expenses mainly represented administrative staff costs, professional fees and depreciation. The amount increased by approximately HK\$2.1 million, from approximately HK\$21.0 million for FY2020 to approximately HK\$23.1 million for FY2021, which was mainly due to the increase in administrative staff costs.

## **Finance costs**

Our finance costs decreased by approximately HK\$0.4 million, from approximately HK\$0.7 million for FY2020 to approximately HK\$0.3 million for FY2021. The amount represented interest expenses on bank borrowings and lease liabilities.

## **Income tax expenses**

Our income tax expenses increased by approximately HK\$1.3 million, from approximately HK\$5.7 million for FY2020 to approximately HK\$7.0 million for FY2021 due to the combined effect of the above factors. The effective tax rate for FY2021 was approximately 13.8% (2020: 18.1%).

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

Based on the above factors, profit attributable to owners of the Company increased by approximately HK\$18.1 million, or approximately 69.6%, from approximately HK\$26.0 million for FY2020 to approximately HK\$44.1 million for FY2021.

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

### **Capital Structure**

As at 31 March 2021, the capital structure of the Group consisted of equity of approximately HK\$294.7 million (2020: HK\$257.4 million). The Group did not have any bank borrowing as at 31 March 2021 (2020: HK\$6.8 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 and the retained profits.

As at 31 March 2021, the Group held cash and cash equivalents of approximately HK\$236.0 million (2020: HK\$139.4 million).

As at 31 March 2021, the current ratio of the Group was approximately 2.1 times (2020: 2.8 times).

### **Bank borrowings**

As at 31 March 2021, the Group did not have any bank borrowing (2020: HK\$6.8 million). As at 31 March 2021, the Group had a facility agreement entered into with a bank with a facility limit of HK\$80.0 million (2020: HK\$80.0 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 2021, the Group had another facility agreement entered into with a bank with a facility limit of HK\$80.0 million (2020: 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.

As at 31 March 2021, the Group had another facility agreement entered into with a bank with a facility limit of approximately HK\$61.4 million (2020: HK\$61.4 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.

### **GEARING RATIO**

As at 31 March 2021, the Group did not have any bank borrowing. As at 31 March 2020, the Group’s gearing ratio was approximately 2.6%, calculated as the bank borrowings divided by the total equity as at the end of FY2020 and multiplied by 100%.

## **NET CURRENT ASSETS**

As at 31 March 2021, the Group had net current assets of approximately HK\$232.2 million (2020: HK\$217.9 million). The increase in net current asset position was mainly attributable to the net profit generated from the Group's operations during the Year, offset by i) the purchase of financial assets at FVTPL and debt instruments at amortised cost; and ii) declaration and payment of final dividend in respect of FY2020 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, so as 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 FY2021 amounted to approximately HK\$0.2 million (2020: HK\$1.4 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 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.

## **PERFORMANCE GUARANTEES AND CONTINGENT LIABILITY**

As at 31 March 2021, performance guarantees of approximately HK\$155.4 million (2020: HK\$121.8 million) were given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantees have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance guarantees will be released upon completion of the contracts work.

The Group had no contingent liability as at 31 March 2021 and 2020.

## **PLEDGE OF ASSETS**

As at 31 March 2021, the Group's leasehold land and buildings amounted to approximately HK\$18.5 million (31 March 2020: HK\$19.2 million) were pledged with a bank to secure the banking facilities including performance guarantees issued by the bank.

## **CAPITAL COMMITMENTS**

As at 31 March 2021, the Group had capital commitments of approximately HK\$0.1 million in relation to acquisition of property and equipment contracted but not provided for (2020: HK\$0.2 million).

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

As at 31 March 2021, the Group had a total of 191 employees (2020: 146). 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 FY2021.

## **SIGNIFICANT INVESTMENTS HELD**

The Group did not have any significant investments held as at 31 March 2021.

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

The Group did not have plans for material investments or capital assets as at 31 March 2021.

## **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.

### **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 2021 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 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 2021 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 HK3.9 cents per ordinary share for the year ended 31 March 2021 to be payable to the shareholders of the Company on Wednesday, 15 September 2021 to those shareholders whose names appear on the register of members on Wednesday, 1 September 2021. 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 Wednesday, 25 August 2021 (the “2021 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 2021 AGM, the register of members of the Company will be closed from Friday, 20 August 2021 to Wednesday, 25 August 2021, both days inclusive, during the period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2021 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 Thursday, 19 August 2021.

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 Tuesday, 31 August 2021 to Wednesday, 1 September 2021, 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 Monday, 30 August 2021.

## **ANNUAL REPORT**

The 2020-21 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, 28 June 2021

*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.*