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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 2022**

**FINANCIAL HIGHLIGHTS**

*(for the year ended 31 March 2022)*

- Revenue was approximately HK\$753.3 million (2021: HK\$707.6 million)
- Gross profit was approximately HK\$45.6 million (2021: HK\$61.4 million)
- Profit for the year attributable to owners of the Company was approximately HK\$11.7 million (2021: HK\$44.1 million)
- Basic earnings per share was approximately HK2.9 cents per share (2021: HK11.0 cents per share)
- Proposed final dividend is HK1.0 cent per share (2021: HK3.9 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 2022 (the “Year” or “FY2022”), together with the comparative figures for the year ended 31 March 2021 (“Last Year” or “FY2021”) as follows:

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

*For the year ended 31 March 2022*

		For the year ended 31 March	
		2022	2021
	Notes	HK\$'000	HK\$'000
Revenue	3	753,327	707,590
Direct costs		<u>(707,728)</u>	<u>(646,192)</u>
Gross profit		45,599	61,398
Other income		2,890	10,238
Other gain and loss		(7,474)	211
Net impairment loss (recognised) reversed under expected credit loss model		(1,338)	2,736
Administrative expenses		(23,964)	(23,060)
Finance costs		<u>(91)</u>	<u>(347)</u>
Profit before taxation		15,622	51,176
Income tax expense	4	<u>(3,889)</u>	<u>(7,042)</u>
Profit and total comprehensive income for the year		<u>11,733</u>	<u>44,134</u>
Earnings per share			
— Basic (HK cents)	5	<u>2.9</u>	<u>11.0</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

		As at 31 March	
	Notes	2022	2021
		HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property and equipment		19,093	20,311
Right-of-use assets		2,434	4,080
Deposits		2,960	2,755
Debt instruments at amortised cost		4,715	6,113
Financial assets at fair value through profit or loss		46,506	31,883
Deferred tax assets		64	6
		<u>75,772</u>	<u>65,148</u>
<b>Current assets</b>			
Trade receivables	7	34,019	88,834
Other receivables, deposits and prepayments		9,593	6,404
Contract assets	8	136,144	110,950
Debt instruments at amortised cost		—	5,003
Tax recoverable		3,044	—
Bank balances and cash		249,541	236,040
		<u>432,341</u>	<u>447,231</u>
<b>Current liabilities</b>			
Trade payables	9	53,941	61,265
Other payables and accrued charges		95,055	77,080
Contract liabilities	8	65,009	73,152
Lease liabilities		2,307	2,228
Tax payable		—	1,328
		<u>216,312</u>	<u>215,053</u>
<b>Net current assets</b>		<u>216,029</u>	<u>232,178</u>
<b>Total assets less current liabilities</b>		<u>291,801</u>	<u>297,326</u>
<b>Non-current liabilities</b>			
Provisions		521	507
Lease liabilities		444	2,116
		<u>965</u>	<u>2,623</u>
<b>Net assets</b>		<u>290,836</u>	<u>294,703</u>
<b>Capital and reserves</b>			
Share capital		4,000	4,000
Reserves		286,836	290,703
		<u>290,836</u>	<u>294,703</u>
<b>Equity attributable to owners of the Company</b>		<u>290,836</u>	<u>294,703</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")

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied 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 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 16	Covid-19-Related Rent Concession beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of the 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.

## 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 and the related Amendments <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <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>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

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 37 “Onerous Contracts - Cost of Fulfilling a Contract”

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” (“HKAS 37”), the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application. Specifically, the amendments are applicable to the Group’s assessment of onerous contracts in relation to outstanding unfulfilled engineering service contracts.

The directors of the Company are in the process of assessing the impact on the application of amendments to HKAS 37 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 was 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 2022 and 2021.

#### **Disaggregation of revenue**

	<b>For the year ended 31 March</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Type of services (revenue recognised over time)		
– Supply, installation and maintenance of MVAC system	<b>635,532</b>	573,885
– Supply, installation and maintenance of low voltage electrical system	<b>117,795</b>	133,705
	<b><u>753,327</u></b>	<b><u>707,590</u></b>

The revenue recognised for the years ended 31 March 2022 and 2021 was 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\$21,527,000 as at 31 March 2022 (2021: HK\$24,391,000) 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	
	2022	2021
	HK\$'000	HK\$'000
Customer A	167,213	84,080
Customer B	159,216	234,049
Customer C	79,504	106,916

## 4. INCOME TAX EXPENSE

	For the year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Hong Kong Profits Tax:		
Current tax		
– Provision for the year	3,939	6,964
– Under/(over)-provision in prior years	8	(54)
	3,947	6,910
Deferred taxation	(58)	132
	3,889	7,042

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	
	2022	2021
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company) (HK\$'000)	<u>11,733</u>	<u>44,134</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 2022 and 2021 was presented as there was no dilutive potential ordinary share in issue for both years.

## 6. DIVIDENDS

During the year ended 31 March 2022, 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) was declared and paid to the shareholders of the Company. Subsequent to the end of the reporting period, i) a special interim dividend of HK3.5 cents per ordinary share (HK\$14.0 million in aggregate based on the number of issued ordinary shares of the Company as at 31 March 2022) has been declared by the Directors; and ii) a final dividend in respect of the year ended 31 March 2022 of HK1.0 cent per ordinary share (HK\$4.0 million in aggregate based on the number of the issued ordinary shares of the Company as at 31 March 2022) 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 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.

## 7. TRADE RECEIVABLES

	As at 31 March	
	2022	2021
	HK\$'000	HK\$'000
Trade receivables	34,182	89,037
Less: Impairment loss allowance	<u>(163)</u>	<u>(203)</u>
	<u>34,019</u>	<u>88,834</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:

	<b>As at 31 March</b>	
	<b>2022</b>	2021
	<i><b>HK\$'000</b></i>	<i>HK\$'000</i>
0 – 30 days	23,762	85,146
31 – 60 days	9,274	114
61 – 90 days	236	3,488
Over 90 days	747	86
	<u>34,019</u>	<u>88,834</u>

#### **8. CONTRACT ASSETS AND CONTRACT LIABILITIES**

	<b>As at 31 March</b>	
	<b>2022</b>	2021
	<i><b>HK\$'000</b></i>	<i>HK\$'000</i>
Contract assets	136,234	111,033
Less: Impairment loss allowance	(90)	(83)
	<u>136,144</u>	<u>110,950</u>
Contract liabilities	<u>65,009</u>	<u>73,152</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:

	<b>As at 31 March</b>	
	<b>2022</b>	2021
	<i><b>HK\$'000</b></i>	<i>HK\$'000</i>
Trade payables:		
0 – 30 days	25,182	29,109
31 – 60 days	28,713	26,789
61 – 90 days	46	5,367
	<u>53,941</u>	<u>61,265</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\$45.7 million, or 6.5%, from approximately HK\$707.6 million for FY2021 to approximately HK\$753.3 million for FY2022. Major projects awarded and major projects undertaken in FY2022 are outlined below.

#### Projects awarded in FY2022

During FY2022, we were awarded 12 projects with an aggregate contract sum of approximately HK\$791.6 million (out of which 1 project with a contract sum of approximately HK\$108.7 million was related to electrical system installation).

The following table sets forth the particulars of the five largest projects awarded in FY2022 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>
MVAC system installation for a proposed residential development at Kai Tak, Kowloon	Residential	21 December 2021	145.4
MVAC system installation for a proposed residential development at Tseung Kwan O, New Territories	Residential	17 February 2022	125.4
Electrical system installation for a proposed development at Yau Tong, Kowloon	Residential	16 February 2022	108.7
MVAC system installation for a development at Fanling, New Territories	Residential	29 October 2021	98.9
Building services installation for a composite development at Sai Wan Ho, Hong Kong	Non-residential	24 May 2021	74.0

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

## Major projects undertaken in FY2022

During FY2022, 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 84.4% and 15.6% respectively (2021: 81.1% and 18.9%).

The following table sets forth the particulars of the five largest projects undertaken in FY2022 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 FY2022 <i>HK\$'million</i>
MVAC system installation for a proposed residential development at Kai Tak, Kowloon	Residential	27 September 2019	163.8	86.3
MVAC system installation for a development at Cheung Sha Wan, Kowloon	Residential	23 September 2020	152.7	81.1
Electrical system installation for a proposed residential development at Ap Lei Chau, Hong Kong	Residential	31 January 2019	214.3	67.7
MVAC system installation for a residential development at Wong Chuk Hang, Hong Kong	Residential	9 May 2019	97.8	64.8
MVAC system installation for a commercial development at Chek Lap Kok, New Territories	Non-residential	29 April 2020	275.0	60.7

## Recent development

Subsequent to FY2022 and up to the date of this announcement, we were awarded 1 project with a contract sum of approximately HK\$160.9 million, which was related to MVAC system installation.

## **OUTLOOK**

In the past year, the Coronavirus Disease 2019 (“Covid-19”) pandemic continued to affect worldwide and weighed heavily on the economy. Recently the fifth wave of Covid-19 put pressure on Hong Kong’s economic recovery. The construction and E&M engineering services industry was facing severe situations such as manpower shortage and logistic delays, which at the same time led to an increase in material and transportation costs and also the difficulty of the cargo transportation. These situations eventually caused the delay in the projects in progress. The past year was a difficult year for most of the industries in Hong Kong.

Looking forward, in order to address the housing demand of the public and increase the housing supply, the Government has implemented a number of housing policies and measures, including the development plan on the “Northern Metropolis” and long-term initiatives such as “Land Sharing Pilot Scheme”, rezoning sites for housing development and brownfield development etc. Together with additional railway property development projects and private development and redevelopment projects, the demand for the construction and E&M engineering services is expected to increase in the coming years. At the same time with the above impacts arising from the Covid-19 gradually under control in Hong Kong and Mainland China, the progress of the construction and E&M engineering projects in Hong Kong is expected to ramp up. Meanwhile, through the coordination between the relevant departments in Shenzhen and Hong Kong, the time and costs for transportation between Hong Kong and Mainland China are also expected to be back to normal gradually.

In spite of the challenges encountered in the past year, the Group is confident to achieve further growth in the future by striving for additional business opportunities in different E&M engineering services, implementing various cost control and engineering process optimisation measures which are in line with the Development Bureau and Construction Industry Council’s promotion of “Construction 2.0” initiatives, including Building Information Modelling (BIM), Modular Integrated Construction (MiC) and Design for Manufacture and Assembly (DfMA) used in the E&M engineering sector to improve productivity. 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 and creating long-term value to our shareholders in the years to come.

## **FINANCIAL REVIEW**

### **Revenue**

Our revenue increased by approximately HK\$45.7 million, or 6.5%, from approximately HK\$707.6 million for FY2021 to approximately HK\$753.3 million for FY2022. Revenue contributed by projects relating to the supply, installation and maintenance of MVAC system and low voltage electrical system was approximately 84.4% and 15.6% respectively (2021: 81.1% and 18.9% respectively).

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

Our gross profit decreased by approximately HK\$15.8 million, or 25.7% from approximately HK\$61.4 million for FY2021 to approximately HK\$45.6 million for FY2022. Our gross profit margin decreased by approximately 2.6 percentage points, from approximately 8.7% for FY2021 to approximately 6.1% for FY2022. The decrease in gross profit and gross profit margin was mainly attributable to (i) the adoption of a more competitive pricing strategy in securing new projects due to intensified market competition; and (ii) manpower shortage and logistic delay caused by the Covid-19 pandemic which led to the delay of the Group’s projects in progress and the increase in projects’ material and transportation costs.

## **Other income**

Other income for FY2022 decreased by approximately HK\$7.3 million, from approximately HK\$10.2 million for FY2021 to approximately HK\$2.9 million for FY2022. The decrease was mainly due to the fact that there was no government grant received from the Employment Support Scheme launched by the Hong Kong Government during FY2022 (2021: HK\$8.0 million).

## **Other gain and loss**

We recorded an other loss of approximately HK\$7.5 million for FY2022, which was mainly 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\$0.2 million for FY2021 due to the fair value gain on financial assets at FVTPL.

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

We recognised a net impairment loss under expected credit loss model of approximately HK\$1.3 million for FY2022, comparing to a reversal of net impairment loss under expected credit loss model of approximately HK\$2.7 million for FY2021.

## **Administrative expenses**

Our administrative expenses mainly represented administrative staff costs, professional fees and depreciation. The amount slightly increased by approximately HK\$0.9 million, from approximately HK\$23.1 million for FY2021 to approximately HK\$24.0 million for FY2022.

## **Finance costs**

Our finance costs decreased by approximately HK\$0.2 million, from approximately HK\$0.3 million for FY2021 to approximately HK\$0.1 million for FY2022. The amount of FY2022 represented interest expenses on lease liabilities.

## **Income tax expenses**

Our income tax expenses decreased by approximately HK\$3.1 million, from approximately HK\$7.0 million for FY2021 to approximately HK\$3.9 million for FY2022 due to the combined effect of the above factors. The effective tax rate for FY2022 was approximately 24.9% (2021: 13.8%).

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

Based on the above factors, profit attributable to owners of the Company decreased by approximately HK\$32.4 million, or approximately 73.5%, from approximately HK\$44.1 million for FY2021 to approximately HK\$11.7 million for FY2022.

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

### **Capital Structure**

As at 31 March 2022, the capital structure of the Group consisted of equity of approximately HK\$290.8 million (2021: HK\$294.7 million). The Group did not have any bank borrowing as at 31 March 2022 and 2021.

### **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 2022, the Group held cash and cash equivalents of approximately HK\$249.5 million (2021: HK\$236.0 million).

As at 31 March 2022, the current ratio of the Group was approximately 2.0 times (2021: 2.1 times).

### **Bank Facilities**

As at 31 March 2022, the Group had a facility agreement entered into with a bank with a facility limit of HK\$150.0 million (2021: HK\$80.0 million). The Company had made undertakings relating to certain performance obligations of the controlling shareholders, namely Mr. Yu and Mr. Lau Man Ching (“Mr. Lau”), who is the chief executive officer of the Company and an 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 2022, the Group had another facility agreement entered into with a bank with a facility limit of approximately HK\$90.2 million (2021: HK\$61.4 million) with the following obligations 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 2022, the Group had another facility agreement entered into with a bank with a facility limit of HK\$80.0 million (2021: HK\$80.0 million) with the following obligations 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 2022, the Group did not have any bank borrowing and its gearing ratio was nil (2021: nil).

## **NET CURRENT ASSETS**

As at 31 March 2022, the Group had net current assets of approximately HK\$216.0 million (2021: HK\$232.2 million). The decrease in net current asset position was mainly attributable to i) the purchase of financial assets at FVTPL; and ii) declaration and payment of final dividend in respect of FY2021 to the shareholders of the Company during the Year, offset by the net profit generated from the Group's operations during the Year.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with 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 FY2022 amounted to approximately HK\$0.2 million (2021: HK\$0.2 million), which was incurred for the purchase of property and equipment.

## **FOREIGN EXCHANGE EXPOSURE**

The Group's revenue-generating activities 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 2022, performance guarantees of approximately HK\$134.8 million (2021: HK\$155.4 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 2022 and 2021.

## **PLEDGE OF ASSETS**

As at 31 March 2022, the Group's leasehold land and buildings amounted to approximately HK\$17.8 million (31 March 2021: HK\$18.5 million) were pledged with a bank to secure the banking facilities including performance guarantees issued by the bank.

## **CAPITAL COMMITMENTS**

As at 31 March 2022, the Group had capital commitments of approximately HK\$0.1 million in relation to acquisition of property and equipment contracted but not provided for (2021: HK\$0.1 million).

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

As at 31 March 2022, the Group had a total of 207 employees (2021: 191). 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 FY2022.

## **SIGNIFICANT INVESTMENTS HELD**

The Group did not have any significant investments held as at 31 March 2022.

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

The Group did not have plans for material investments or capital assets as at 31 March 2022.

## **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 2022 and up to the date of this announcement.

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

The Company has established the audit committee of the Company (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 2022 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 HK1.0 cent per ordinary share for the year ended 31 March 2022 to be payable to the shareholders of the Company on Friday, 16 September 2022 to those shareholders whose names appear on the register of members on Thursday, 1 September 2022. 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 Thursday, 25 August 2022 (the “2022 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 2022 AGM, the register of members of the Company will be closed from Friday, 19 August 2022 to Thursday, 25 August 2022, both days inclusive, during the period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2022 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, 18 August 2022.

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 Wednesday, 31 August 2022 to Thursday, 1 September 2022, 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 Tuesday, 30 August 2022.

## **ANNUAL REPORT**

The 2021-22 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 2022

*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.*