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SH GROUP (HOLDINGS) LIMITED
順興集團（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1637)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

FINANCIAL HIGHLIGHTS

(for the six months ended 30 September 2019)

– Revenue was approximately HK$307.5 million (2018: HK$155.5 million)
– Gross profit was approximately HK$30.8 million (2018: HK$15.6 million)
– Profit for the period attributable to owners of the Company was approximately HK$16.3 million (2018: HK$5.6 million)
– Basic earnings per share was approximately HK4.1 cents per share (2018: HK1.4 cents per share)

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of SH Group (Holdings) Limited (the "Company") is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively as the "Group") for the six months ended 30 September 2019 (the "Current Period"), together with the comparative figures for the six months ended 30 September 2018 (the "Last Period") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

		For the six months ended 30 September	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**307,523**	155,459
Direct costs		**(276,732)**	(139,819)
Gross profit		**30,791**	15,640
Other income		**1,166**	539
Other (loss) gain		**(1,305)**	202
Reversal of impairment loss allowance of trade receivables and contract assets		**148**	–
Administrative expenses		**(10,833)**	(9,444)
Finance costs		**(352)**	(212)
Profit before taxation		**19,615**	6,725
Income tax expense	*5*	**(3,317)**	(1,114)
Profit and total comprehensive income for the period		**16,298**	5,611
Earnings per share			
– Basic (HK cents)	*6*	**4.1**	1.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	As at 30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
Non-current assets			
Property and equipment		**21,492**	21,665
Right-of-use assets		**7,053**	–
Deposits		**2,960**	2,654
Debt instruments at amortised cost		**4,106**	2,155
Financial assets at fair value through profit or loss		**12,676**	10,434
Deferred tax assets		**160**	232
		48,447	37,140
Current assets			
Trade receivables	*8*	**57,511**	56,155
Other receivables, deposits and prepayments		**3,095**	3,685
Contract assets	*9*	**155,305**	143,980
Tax recoverable		**478**	3,723
Short term bank deposits		**–**	28,000
Bank balances and cash		**136,918**	71,315
		353,307	306,858
Current liabilities			
Trade and bills payables	*10*	**66,086**	36,683
Other payables and accrued charges		**58,448**	49,764
Contract liabilities	*9*	**14,302**	11,071
Lease liabilities		**2,149**	–
Bank borrowings		**7,719**	9,164
		148,704	106,682
Net current assets		**204,603**	200,176
Total assets less current liabilities		**253,050**	237,316
Non-current liabilities			
Provisions		**303**	374
Lease liabilities		**5,107**	–
		5,410	374
Net assets		**247,640**	236,942
Capital and reserves			
Share capital		**4,000**	4,000
Reserves		**243,640**	232,942
Equity attributable to owners of the Company		**247,640**	236,942

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. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 September 2019 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

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 period has had no material impact on the Group's financial position and performance for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 "Leases" ("HKFRS 16") for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

3.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transitional provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes the amount of the initial measurement of the lease liability less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" and initially measured at fair value and subsequently at amortised cost. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; or

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

3.2 *Transition and summary of effects arising from initial application of HKFRS 16*

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. 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; and

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.

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 prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition.

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% per annum.

	At 1 April 2019
	HK$'000
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:

	Notes	At 1 April 2019 HK$'000
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 condensed consolidated statement of financial position as at 1 April 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 March 2019 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK$'000
Non-current Assets				
Right-of-use assets		–	7,476	7,476
Deposits	*(a)*	2,654	(89)	2,565
Current Liabilities				
Other payables and accrued charges	*(b)*	49,764	(232)	49,532
Lease liabilities		–	1,825	1,825
Non-current liabilities				
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. 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 six months ended 30 September 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 April 2019 as disclosed above.

4. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the fair value of amounts received or receivable from the engineering service contracts by the Group to external customers. The Group's revenue is solely derived from E&M engineering services with the focus on the supply, installation and maintenance of mechanical ventilation and air-conditioning system ("MVAC system") and low voltage electrical system in Hong Kong during the six months ended 30 September 2019 and 2018.

Disaggregation of revenue

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Type of services (revenue recognised over time)		
– Supply, installation and maintenance of MVAC system	**247,167**	127,513
– Supply, installation and maintenance of low voltage electrical system	**60,356**	27,946
	307,523	155,459

The revenue recognised for the current period is mainly from private sector projects in Hong Kong.

Segment information

For the purpose of resources allocation and performance assessment, the chief operating decision maker (that is, Mr. Yu and Mr. Lau Man Ching ("Mr. Lau"), who is the chief executive officer of the Company and executive Director), reviews the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered and the Group's non-current assets amounting to HK$29,171,000 (Unaudited) as at 30 September 2019 (31 March 2019: HK$21,665,000 (Audited)) are all located in Hong Kong by physical location of assets.

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the period is as follows:

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Customer A	**77,137**	N/A*
Customer B	**65,477**	21,746
Customer C	**42,351**	N/A*
Customer D	**N/A***	65,761
Customer E	**N/A***	15,871

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

5. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong Profit tax:		
Current tax	**3,245**	1,097
Deferred taxation	**72**	17
	3,317	1,114

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces 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.

6. EARNINGS PER SHARE

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

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company) *(HK$'000)*	**16,298**	5,611
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**400,000,000**	400,000,000

No diluted earnings per share for the six months ended 30 September 2019 and 2018 was presented as there was no dilutive potential ordinary share in issue for both periods.

7. DIVIDENDS

During the six months ended 30 September 2019, 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.

During the six months ended 30 September 2018, a final dividend in respect of the year ended 31 March 2018 of HK2.2 cents per ordinary share (HK$8.8 million in aggregate) was declared and payable to the shareholders of the Company.

The Board did not declare any interim dividend for the six months ended 30 September 2019 (2018: Nil).

8. TRADE RECEIVABLES

	As at	
	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**57,790**	56,522
Less: Impairment loss allowance	**(279)**	(367)
Total trade receivables	**57,511**	56,155

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	
	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**50,100**	41,833
31 – 60 days	**6,415**	10,498
61 – 90 days	**162**	1,708
Over 90 days	**834**	2,116
	57,511	56,155

9. CONTRACT ASSETS AND CONTRACT LIABILITIES

	As at	
	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contract assets	**157,689**	146,424
Less: Impairment loss allowance	**(2,384)**	(2,444)
	155,305	143,980
Contract liabilities	**14,302**	11,071

10. TRADE AND BILLS PAYABLES

The credit period on purchases and subcontracting of contract work services ranges from 30 to 60 days generally. The following is an aged analysis of trade payables presented based on the invoice date and bills payables presented based on the date of issuance of the bills at the end of each reporting period:

	As at	
	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables:		
0 – 30 days	**47,555**	15,017
31 – 60 days	**6,090**	21,666
Over 90 days	**696**	–
	54,341	36,683
Bills payables:		
0 – 30 days	**11,745**	–
	66,086	36,683

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$152.0 million, or 97.7%, from approximately HK$155.5 million for the Last Period to approximately HK$307.5 million for the Current Period. The significant 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. Major projects awarded and major projects undertaken in the Current Period are outlined below.

Projects awarded in the Current Period

During the Current Period, we were awarded 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 the Current Period in terms of contract sum:

Key scope of work	**Type (Residential/ Non-residential)** *(Note)*	**Date of award**	**Contract sum** *HK$'million*
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 the Current Period

During the Current Period, the Group continued to focus our efforts on the supply, installation and maintenance of MVAC system and low voltage electrical system. Revenue contributed by projects relating to MVAC system and low voltage electrical system accounted for approximately 80.4% and 19.6% respectively for the Current Period (2018: 82.0% and 18.0%).

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

Key scope of work	**Type (Residential/ Non-residential)**	**Date of award**	**Contract sum** *HK$'million*	**Revenue recognised during the Current Period** *HK$'million*
MVAC system installation for a proposed development at Kwun Tong	Residential	5 December 2017	199.8	77.1
MVAC system installation for a residential development at Tuen Mun	Residential	14 November 2018	60.4	37.6
Electrical system installation for a proposed residential development at Wong Chuk Hang	Residential	17 May 2018	72.0	27.4
MVAC system installation for a proposed residential development at Pak Shek Kok, Tai Po	Residential	24 October 2017	56.7	24.9
MVAC system installation for a hospital at Tuen Mun	Non-residential	29 January 2019	59.1	21.8

Recent development and Future prospects

Looking forward to the second half of the financial year ending 31 March 2020, the Group is confronting certain industry-wide challenges such as labour shortage problem. Besides, due to the intensified competition in the industry, the Group has adopted a more competitive pricing strategy to bid for sizable projects. Having said that, we are content that the Group was awarded 7 projects with an aggregate contract sum of approximately HK$682.8 million during the Current Period. The Group will continue to bid for targeted projects with reasonable profit margin and keep our endeavour to diversify our projects in different E&M engineering services in order to tap into the opportunities in the market. To deliver high quality services to our customers, the Group will leverage our reputation, experience and qualification in the industry and consistently undertake our existing projects in progress and newly awarded projects with professional management and implementation.

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately HK$152.0 million, or 97.7%, from approximately HK$155.5 million for the Last Period to approximately HK$307.5 million for the Current Period. The significant 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.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$15.2 million, or 97.4% from approximately HK$15.6 million for the Last Period to approximately HK$30.8 million for the Current Period. Our gross profit margin slightly decreased by approximately 0.1 percentage points, from approximately 10.1% for the Last Period to approximately 10.0% for the Current Period.

The increase in gross profit was mainly due to the significant increase in revenue as discussed above.

Other income

Other income for the Current Period increased by approximately HK$0.7 million, from approximately HK$0.5 million for the Last Period to approximately HK$1.2 million for the Current Period. The increase was mainly attributable to the effect of the increase in interest income and dividend income.

Other (loss) gain

We recorded an other loss of approximately HK$1.3 million for the Current Period, which was attributable to the fair value loss on financial assets at fair value through profit or loss ("FVTPL"), comparing to the other gain of approximately HK$0.2 million for the Last Period due to the fair value gain on financial assets at FVTPL.

Administrative expenses

Our administrative expenses increased by approximately HK$1.4 million, or approximately 14.9%, from approximately HK$9.4 million for the Last Period to approximately HK$10.8 million for the Current Period. The increase was mainly attributable to the increase in staff cost of the administrative staff during the Current Period.

Finance costs

Our finance costs increased by approximately HK$0.2 million, from approximately HK$0.2 million for the Last Period to approximately HK$0.4 million for the Current Period. The amount represented interest expenses on bank borrowings and lease liabilities.

Income tax expenses

Our income tax expenses increased by approximately HK$2.2 million, from approximately HK$1.1 million for the Last Period to approximately HK$3.3 million for the Current Period due to the combined effect of the above factors. The effective tax rate for the Current Period was approximately 16.9% (2018: 16.6%).

Profit attributable to owners of the Company

Based on the above factors, profit attributable to owners of the Company increased by approximately HK$10.7 million or approximately 191.1%, from approximately HK$5.6 million for the Last Period to approximately HK$16.3 million for the Current Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Capital Structure

As at 30 September 2019, the capital structure of the Group consisted of equity of approximately HK$247.6 million (31 March 2019: HK$236.9 million) and bank borrowings of approximately HK$7.7 million (31 March 2019: HK$9.2 million).

Cash position and fund available

During the Current Period, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows, bank borrowings and the retained profits.

As at 30 September 2019, the Group held cash and cash equivalents of approximately HK$136.9 million (31 March 2019: HK$71.3 million). The Group did not hold any short term bank deposit as at 30 September 2019 (31 March 2019: HK$28.0 million).

As at 30 September 2019, the current ratio of the Group was approximately 2.4 times (31 March 2019: 2.9 times).

Bank borrowings

As at 30 September 2019, the Group had total bank borrowings of approximately HK$7.7 million (31 March 2019: HK$9.2 million). As at 30 September 2019, the Group had a facility agreement entered into with a bank with a facility limit of approximately HK$61.4 million (31 March 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 30 September 2019, the Group had another facility agreement entered into with a bank with a facility limit of HK$80.0 million (31 March 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, 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.

GEARING RATIO

As at 30 September 2019, the Group's gearing ratio was approximately 3.1% (31 March 2019: 3.9%), calculated as the bank borrowings divided by the total equity as at the end of the respective periods and multiplied by 100%.

NET CURRENT ASSETS

As at 30 September 2019, the Group had net current assets of approximately HK$204.6 million (31 March 2019: HK$200.2 million). The increase in net current assets position was mainly attributable to the net profit for the Current Period, offset by the purchase of financial assets at FVTPL and debt instruments at amortised cost and declaration and payment of final dividend in respect of the year ended 31 March 2019 to the shareholders of the Company during the Current Period.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with covenants in relation to banking facility agreements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from the banks to meet its liquidity requirements. The Board is not aware of any liquidity issue that may cast significant doubt on the Group's ability to continue as a going concern.

CAPITAL EXPENDITURES

The Group's capital expenditures for the Current Period amounted to approximately HK$0.8 million (2018: HK$0.7 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" in the Prospectus.

Up to 30 September 2019, the net proceeds were used as follows:

	Net proceeds from Global Offering	Utilisation up to 30 September 2019	Unutilised amount as at 30 September 2019
	HK$'million	*HK$'million*	*HK$'million*
Intended use (Note)			
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	1.7	0.3
General working capital	6.9	6.9	–
	69.0	68.7	0.3

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.

For the installation of ERP system, as the Company spent more time than expected to source the required system from potential suppliers that suit the Company's needs and expects to take a period of time to implement the system, the completion of installation of the ERP system is expected to be delayed till the end of March 2020. Accordingly, the remaining net proceeds of approximately HK$0.3 million as at 30 September 2019 allocated for the installation of ERP system are intended to be fully utilised for the same specific use by 31 March 2020.

As at 30 September 2019, the Group held the unutilised net proceeds mainly in deposits with licensed banks in Hong Kong.

PERFORMANCE GUARANTEES AND CONTINGENT LIABILITY

As at 30 September 2019, performance guarantees of approximately HK$109.3 million (31 March 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 30 September 2019 and 31 March 2019 respectively.

PLEDGE OF ASSETS

As at 30 September 2019, the Group's leasehold land and buildings of approximately HK$19.6 million (31 March 2019: HK$19.9 million) were pledged with banks to secure the bank borrowings and banking facilities including performance guarantees issued by the banks.

CAPITAL COMMITMENTS

As at 30 September 2019, the Group had capital commitments of approximately HK$0.4 million (31 March 2019: HK$0.7 million) in relation to acquisition of property and equipment contracted but not provided for.

EMPLOYEES, TRAINING AND REMUNERATION POLICY

As at 30 September 2019, the Group had a total of 136 employees (31 March 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 the Current Period.

SIGNIFICANT INVESTMENTS HELD

The Group did not have any significant investments held as at 30 September 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have other plans for material investments or capital assets as at 30 September 2019.

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 Listing Rules as its own code of corporate governance. The Board is of the opinion that the Company has complied with all the code provisions set out in the CG Code during the Current Period.

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 Current Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY' S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Current Period.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2019 and up to the date of this announcement.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 September 2019, including the accounting principles and practices adopted by the Group.

REVIEW OF INTERIM RESULTS BY AUDITOR

The unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2019 have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu, certified public accountants in Hong Kong.

INTERIM DIVIDEND

The Board did not declare any interim dividend for the Current Period (2018: Nil).

INTERIM REPORT

The 2019/2020 Interim Report will be published on the Company's website at www.shunhingeng.com and the Stock Exchange's website at www.hkexnews.hk in due course.

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

Hong Kong, 28 November 2019

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