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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 2020**

FINANCIAL HIGHLIGHTS

(for the six months ended 30 September 2020)

- Revenue was approximately HK\$333.2 million (2019: HK\$307.5 million)
- Gross profit was approximately HK\$28.8 million (2019: HK\$30.8 million)
- Profit for the period attributable to owners of the Company was approximately HK\$18.4 million (2019: HK\$16.3 million)
- Basic earnings per share was approximately HK4.6 cents per share (2019: HK4.1 cents per share)

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of SH Group (Holdings) Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively as the “Group”) for the six months ended 30 September 2020 (the “Current Period”), together with the comparative figures for the six months ended 30 September 2019 (the “Last Period”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		For the six months ended	
		30 September	
		2020	2019
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	333,205	307,523
Direct costs		(304,420)	(276,732)
Gross profit		28,785	30,791
Other income		6,383	1,166
Other loss		(1,375)	(1,305)
Net impairment loss (recognised) reversed under expected credit loss model		(40)	148
Administrative expenses		(12,416)	(10,833)
Finance costs		(217)	(352)
Profit before taxation		21,120	19,615
Income tax expense	5	(2,762)	(3,317)
Profit and total comprehensive income for the period		18,358	16,298
Earnings per share			
– Basic (HK cents)	6	4.6	4.1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		As at	
		30 September 2020	31 March 2020
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current assets			
Property and equipment		20,983	21,662
Right-of-use assets		5,295	6,340
Deposits		2,729	2,585
Debt instruments at amortised cost		1,888	1,951
Financial assets at fair value through profit or loss		12,800	11,693
Deferred tax assets		162	138
		<u>43,857</u>	<u>44,369</u>
Current assets			
Trade receivables	8	55,305	59,812
Other receivables, deposits and prepayments		11,044	7,656
Contract assets	9	158,691	131,565
Debt instruments at amortised cost		4,021	2,155
Bank balances and cash		167,975	139,353
		<u>397,036</u>	<u>340,541</u>
Current liabilities			
Trade payables	10	61,695	32,144
Other payables and accrued charges		75,199	68,199
Deferred income		2,870	–
Contract liabilities	9	14,976	11,328
Lease liabilities		2,407	2,294
Tax payable		4,674	1,888
Bank borrowings		6,440	6,816
		<u>168,261</u>	<u>122,669</u>
Net current assets		<u>228,775</u>	<u>217,872</u>
Total assets less current liabilities		<u>272,632</u>	<u>262,241</u>
Non-current liabilities			
Provisions		547	574
Lease liabilities		3,158	4,298
		<u>3,705</u>	<u>4,872</u>
Net assets		<u>268,927</u>	<u>257,369</u>
Capital and reserves			
Share capital		4,000	4,000
Reserves		264,927	253,369
Equity attributable to owners of the Company		<u>268,927</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. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 September 2020 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 the application of below amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and the adoption of the accounting policy for government grants as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2020.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's condensed consolidated financial statements:

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

Except as described below, the application of the Amendments to Reference to the Conceptual Framework in HKFRS Standard and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts of application of Amendments to HKAS 1 and HKAS 8 "Definition of Material"

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 period had no impact on the condensed consolidated financial statements. Change in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2021.

4. 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 six months ended 30 September 2020 and 2019.

Disaggregation of revenue

	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Type of services (revenue recognised over time)		
– Supply, installation and maintenance of MVAC system	246,649	247,167
– Supply, installation and maintenance of low voltage electrical system	86,556	60,356
	333,205	307,523

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

Segment information

For the purpose of resources allocation and performance assessment, the 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. Geographical information and major customers are presented below.

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\$26,278,000 (Unaudited) as at 30 September 2020 (31 March 2020: HK\$28,002,000 (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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Customer A	89,762	N/A*
Customer B	53,431	N/A*
Customer C	48,400	N/A*
Customer D	40,779	N/A*
Customer E	N/A*	77,137
Customer F	N/A*	65,477
Customer G	N/A*	42,351

* 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Hong Kong Profit tax:		
Current tax	2,786	3,245
Deferred taxation	(24)	72
	<u>2,762</u>	<u>3,317</u>

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	
	2020	2019
	(Unaudited)	(Unaudited)
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company) (<i>HK\$ '000</i>)	<u>18,358</u>	<u>16,298</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 six months ended 30 September 2020 and 2019 was presented as there was no dilutive potential ordinary share in issue for both periods.

7. DIVIDENDS

During the six months ended 30 September 2020, 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.

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 payable to the shareholders of the Company.

The Board did not declare any interim dividend for the six months ended 30 September 2020 (2019: Nil).

8. TRADE RECEIVABLES

	As at	
	30 September	31 March
	2020	2020
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
	(Unaudited)	(Audited)
Trade receivables	55,737	60,379
Less: Impairment loss allowance	<u>(432)</u>	<u>(567)</u>
	<u>55,305</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	
	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
0 – 30 days	52,483	47,209
31 – 60 days	2,311	11,194
61 – 90 days	44	697
Over 90 days	467	712
	55,305	59,812
	55,305	59,812

9. CONTRACT ASSETS AND CONTRACT LIABILITIES

	As at	
	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
Contract assets	161,235	134,075
Less: Impairment loss allowance	(2,544)	(2,510)
	158,691	131,565
	158,691	131,565
Contract liabilities	14,976	11,328
	14,976	11,328

10. 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	
	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
Trade payables:		
0 – 30 days	48,217	13,743
31 – 60 days	12,251	18,401
61 – 90 days	1,183	–
Over 90 days	44	–
	61,695	32,144
	61,695	32,144

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\$25.7 million, or 8.4%, from approximately HK\$307.5 million for the Last Period to approximately HK\$333.2 million for the Current Period. 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\$555.1 million (out of which 1 project with contract sum of approximately HK\$88.8 million was related to electrical system installation).

The following table sets forth the particulars of the major 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 <i>HK\$'million</i>
MVAC system installation for a commercial development at Chek Lap Kok	Non-residential	29 April 2020	275.0
MVAC system installation for a development at Cheung Sha Wan, Kowloon	Residential	23 September 2020	152.7
Electrical system installation for a commercial development at Cheung Sha Wan, Kowloon	Non-residential	23 September 2020	88.8
MVAC system installation for a proposed industrial redevelopment at Aberdeen, Hong Kong	Non-residential	11 May 2020	24.6

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 74.0% and 26.0% respectively for the Current Period (2019: 80.4% and 19.6%).

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 <i>HK\$'million</i>	Revenue recognised during the Current Period <i>HK\$'million</i>
MVAC system installation for a proposed residential development at Kai Tak, Kowloon	Residential	27 September 2019	235.6	48.6
MVAC system installation for a proposed composite development at Kai Tak, Kowloon	Residential	3 June 2019	85.3	48.3
Electrical system installation for a proposed residential development at Ap Lei Chau	Residential	31 January 2019	214.3	45.1
MVAC system installation for a property development at Pak Shek Kok, Tai Po	Residential	10 August 2018	64.0	39.1
Electrical system installation for a proposed residential development at Wong Chuk Hang	Residential	17 May 2018	72.0	37.9

Recent development and Future prospects

Looking forward to the second half of the financial year ending 31 March 2021, the Group expects to continue to confront certain industry-wide challenges like elevated competition as well as macro-environment factors like the spread of the Coronavirus Disease 2019. In particular to the intensified competition in the industry, the Group has continued to implement a competitive pricing strategy to bid for sizable projects. By implementing this strategy, the Group was awarded 7 projects with an aggregate contract sum of approximately HK\$555.1 million during the Current Period. In addition, as disclosed in the Company's announcement dated 2 November 2020, the Group has also been awarded a contract for the design, supply, installation, testing and commissioning of MVAC services with contract sum of approximately HK\$170 million in October 2020.

Looking ahead, the Group will continue to bid for targeted projects with reasonable profit margin and keep our endeavour to diversify our projects into different E&M engineering services, such as installation services of plumbing and drainages system and fire service system, in order to widen our opportunities in the market. With our long-established reputation, experience and proven track record in the industry, we are confident that the Group will continue to deliver high quality services to our customers and achieve a steady growth of the business.

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately HK\$25.7 million, or 8.4%, from approximately HK\$307.5 million for the Last Period to approximately HK\$333.2 million for the Current Period. Revenue contributed by projects relating to MVAC system and low voltage electrical system accounted for approximately 74.0% and 26.0% respectively for the Current Period (2019: 80.4% and 19.6%).

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$2.0 million, or 6.5% from approximately HK\$30.8 million for the Last Period to approximately HK\$28.8 million for the Current Period. Our gross profit margin decreased by approximately 1.4 percentage points, from approximately 10.0% for the Last Period to approximately 8.6% for the Current Period.

The decrease in gross profit was attributable to the combined net effect of 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, and the increase in revenue.

Other income

Other income for the Current Period increased by approximately HK\$5.2 million, from approximately HK\$1.2 million for the Last Period to approximately HK\$6.4 million for the Current Period. The increase was mainly attributable to the government grants of approximately HK\$5.1 million from the Employment Support Scheme launched by the Hong Kong Government.

Other loss

Other loss for the Current Period slightly increased from approximately HK\$1.3 million for the Last Period to approximately HK\$1.4 million for the Current Period, which was attributable to the fair value loss on financial assets at fair value through profit or loss (“FVTPL”).

Administrative expenses

Our administrative expenses increased by approximately HK\$1.6 million, or approximately 14.8%, from approximately HK\$10.8 million for the Last Period to approximately HK\$12.4 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 decreased by approximately HK\$0.2 million, from approximately HK\$0.4 million for the Last Period to approximately HK\$0.2 million for the Current Period. The amount represented interest expenses on bank borrowings and lease liabilities.

Income tax expenses

Our income tax expenses decreased by approximately HK\$0.5 million, from approximately HK\$3.3 million for the Last Period to approximately HK\$2.8 million for the Current Period due to the combined effect of the above factors. The effective tax rate for the Current Period was approximately 13.1% (2019: 16.9%).

Profit attributable to owners of the Company

As a result of the foregoing, our profit attributable to owners of the Company increased by approximately HK\$2.1 million or approximately 12.9%, from approximately HK\$16.3 million for the Last Period to approximately HK\$18.4 million for the Current Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Capital Structure

As at 30 September 2020, the capital structure of the Group consisted of equity of approximately HK\$268.9 million (31 March 2020: HK\$257.4 million) and bank borrowings of approximately HK\$6.4 million (31 March 2020: HK\$6.8 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 2020, the Group held cash and cash equivalents of approximately HK\$168.0 million (31 March 2020: HK\$139.4 million).

As at 30 September 2020, the current ratio of the Group was approximately 2.4 times (31 March 2020: 2.8 times).

Bank borrowings

As at 30 September 2020, the Group had total bank borrowings of approximately HK\$6.4 million (31 March 2020: HK\$6.8 million). As at 30 September 2020, the Group had a facility agreement entered into with a bank with a facility limit of HK\$80.0 million (31 March 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. Subsequent to the Current Period, the facility agreement was renewed with the same aggregate facility limit of HK\$80.0 million and the facility agreement remains effective as at the date of this announcement.

As at 30 September 2020, the Group had another facility agreement entered into with a bank with a facility limit of approximately HK\$61.4 million (31 March 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.

As at 30 September 2020, the Group had another facility agreement entered into with a bank with a facility limit of HK\$60.0 million (31 March 2020: HK\$60 million) with the following obligation undertaken by the Group: (i) In case of Mr. Yu and Mr. Lau are not the major shareholders of the Company, the Group should notify the bank 14 days in advance; and (ii) In case of Mr. Yu and Mr. Lau are not entitled to be chairman or director of the Company, the Group should notify the bank 14 days in advance.

GEARING RATIO

As at 30 September 2020, the Group’s gearing ratio was approximately 2.4% (31 March 2020: 2.6%), 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 2020, the Group had net current assets of approximately HK\$228.8 million (31 March 2020: HK\$217.9 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 declaration and payment of final dividend in respect of the year ended 31 March 2020 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\$0.1 million (2019: HK\$0.8 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 30 September 2020, performance guarantees of approximately HK\$164.1 million (31 March 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 30 September 2020 and 31 March 2020 respectively.

PLEDGE OF ASSETS

As at 30 September 2020, the Group's leasehold land and buildings of approximately HK\$18.9 million (31 March 2020: HK\$19.2 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 2020, the Group had capital commitments of approximately HK\$0.1 million (31 March 2020: HK\$0.2 million) in relation to acquisition of property and equipment contracted but not provided for.

EMPLOYEES, TRAINING AND REMUNERATION POLICY

As at 30 September 2020, the Group had a total of 170 employees (31 March 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 the Current Period.

SIGNIFICANT INVESTMENTS HELD

The Group did not have any significant investments held as at 30 September 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have plans for material investments or capital assets as at 30 September 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with Corporate Governance Code

The Company has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Board is of the opinion that the Company has complied with all the code provisions set out in the CG Code during the Current Period.

Directors’ Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code 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 2020 and up to the date of this announcement.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 September 2020, 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 2020 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 and registered public interest entity auditors in Hong Kong.

INTERIM DIVIDEND

The Board did not declare any interim dividend for the Current Period (2019: Nil).

INTERIM REPORT

The 2020-21 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, 27 November 2020

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