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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 2022**

FINANCIAL HIGHLIGHTS

(for the six months ended 30 September 2022)

- Revenue was approximately HK\$490.0 million (2021: HK\$370.0 million)
- Gross profit was approximately HK\$2.9 million (2021: HK\$32.9 million)
- Loss for the period attributable to owners of the Company was approximately HK\$9.7 million (2021: profit of HK\$13.5 million)
- Basic loss per share was approximately HK2.4 cents per share (2021: earnings of HK3.4 cents per share)

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of SH Group (Holdings) Limited (the “Company”) presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively as the “Group”) for the six months ended 30 September 2022 (the “Current Period”), together with the comparative figures for the six months ended 30 September 2021 (the “Last Period”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

		For the six months ended	
		30 September	
		2022	2021
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	489,954	370,044
Direct costs		<u>(487,087)</u>	<u>(337,194)</u>
Gross profit		2,867	32,850
Other income		8,141	1,760
Other loss		(7,710)	(4,945)
Net impairment loss recognised under expected credit loss model		(875)	(118)
Administrative expenses		(13,756)	(12,550)
Finance costs		<u>(30)</u>	<u>(54)</u>
(Loss) profit before taxation		(11,363)	16,943
Income tax credit (expense)	5	<u>1,627</u>	<u>(3,405)</u>
(Loss) profit and total comprehensive (expense) income for the period		<u><u>(9,736)</u></u>	<u><u>13,538</u></u>
(Loss) earnings per share			
– Basic (HK cents)	6	<u><u>(2.4)</u></u>	<u><u>3.4</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	31 March 2022 <i>HK\$'000</i> (Audited)
Non-current assets			
Property and equipment		19,034	19,093
Right-of-use assets		1,654	2,434
Deposits		2,834	2,960
Debt instruments at amortised cost		6,808	4,715
Financial assets at fair value through profit or loss		39,038	46,506
Deferred tax assets		5,192	64
		74,560	75,772
Current assets			
Trade receivables	8	93,048	34,019
Other receivables, deposits and prepayments		13,138	9,593
Contract assets	9	201,225	136,144
Tax recoverable		3,044	3,044
Short term bank deposits		100,000	—
Bank balances and cash		83,111	249,541
		493,566	432,341
Current liabilities			
Trade payables	10	103,477	53,941
Other payables and accrued charges		117,431	95,055
Contract liabilities	9	85,354	65,009
Lease liabilities		1,621	2,307
Provision for onerous contracts		14,227	—
		322,110	216,312
Net current assets		171,456	216,029
Total assets less current liabilities		246,016	291,801
Non-current liabilities			
Other provisions		422	521
Lease liabilities		211	444
		633	965
Net assets		245,383	290,836
Capital and reserves			
Share capital		4,000	4,000
Reserves		241,383	286,836
Equity attributable to owners of the Company		245,383	290,836

Notes:

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Act (as revised) 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") since 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 2022 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 additional accounting policies resulting from the application of 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 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 April 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

Except as described below, the application of the amendments to HKFRSs in the current interim 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.

Impacts and accounting policies on application of Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract

Accounting policies

Provisions

Onerous contracts

For assessment of outstanding unfulfilled contracts as at 1 April 2022, the unavoidable costs under a contract 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. When assessing whether a contract is onerous or loss-making, the Group includes costs that relate directly to the contract, consisting of both the incremental costs (to specify, e.g. direct labour and materials) and an allocation of other costs (to specify, e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract) that relate directly to fulfilling contracts.

Transition and summary of effects

The Group has applied the amendments to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application, 1 April 2022. Specifically, the Group's assessment of onerous contracts is in relation to outstanding unfulfilled engineering service contracts.

The Group has applied the new accounting policy retrospectively in accordance with the transitional provisions with the cumulative effect recognised at the date of initial application, i.e. 1 April 2022. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. The details of the impacts on the retained profits are set out below.

The effects of the changes in accounting policy as a result of application of the amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract on the condensed consolidated statement of profit or loss and other comprehensive income and loss per share, are as follows:

	For the six months ended 30 September 2022 HK\$'000
Impact on loss and total comprehensive expense for the period	
Decrease in direct costs	6,991
Decrease in income tax credit	(1,154)
	<hr/>
Net decrease in loss and total comprehensive expense for the period	5,837
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Impact on loss per share	
Basic loss per share before adjustments (HK cents)	(3.9)
Adjustments arising from change in accounting policy (HK cents)	1.5
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Reported loss per share (HK cents)	(2.4)
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The effect of application of the amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract on the condensed consolidated statement of financial position as at 1 April 2022 is disclosed as follows:

	As at 1 April 2022 HK\$'000
Increase in deferred tax assets	3,501
Increase in provision for onerous contracts	(21,218)
	<hr/>
Total effects on net assets	(17,717)
	<hr/> <hr/>
Decrease in retained profits	(17,717)
	<hr/>
Total effect on equity	(17,717)
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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 2022 and 2021.

Disaggregation of revenue

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Type of services (revenue recognised over time)		
– Supply, installation and maintenance of MVAC system	391,924	307,753
– Supply, installation and maintenance of low voltage electrical system	98,030	62,291
	489,954	370,044

The revenue recognised for the current period 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, 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\$20,688,000 (Unaudited) in aggregate as at 30 September 2022 (31 March 2022: HK\$21,527,000 (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 periods is as follows:

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	137,707	N/A*
Customer B	71,126	N/A*
Customer C	53,474	84,280
Customer D	N/A*	115,789
Customer E	N/A*	58,577

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

5. INCOME TAX CREDIT (EXPENSE)

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits tax:		
Current tax	—	(3,464)
Deferred taxation	1,627	59
	<u>1,627</u>	<u>(3,405)</u>

Under the two-tiered profits tax rates regime in Hong Kong, 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. (LOSS) EARNINGS PER SHARE

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

	For the six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
(Loss) earnings:		
(Loss) earnings for the purpose of calculating basic (loss) earnings per share ((loss) profit for the period attributable to owners of the Company) (HK\$'000)	<u>(9,736)</u>	<u>13,538</u>
Number of shares:		
Number of ordinary shares for the purpose of calculating basic (loss) earnings per share	<u>400,000,000</u>	<u>400,000,000</u>

No diluted (loss) earnings per share for the six months ended 30 September 2022 and 2021 was presented as there was no dilutive potential ordinary share in issue for both periods.

7. DIVIDENDS

During the six months ended 30 September 2022, 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) and a special interim dividend of HK3.5 cents per ordinary share (HK\$14.0 million in aggregate) were declared and paid to the shareholders of the Company.

During the six months ended 30 September 2021, 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.

The Board did not declare any interim dividend for the six months ended 30 September 2022 (2021: Nil).

8. TRADE RECEIVABLES

	As at	
	30 September	31 March
	2022	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	93,407	34,182
Less: Impairment loss allowance	(359)	(163)
	<u>93,048</u>	<u>34,019</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 2022 <i>HK\$'000</i> (Unaudited)	31 March 2022 <i>HK\$'000</i> (Audited)
0 – 30 days	81,396	23,762
31 – 60 days	9,214	9,274
61 – 90 days	72	236
Over 90 days	2,366	747
	93,048	34,019
	93,048	34,019

9. CONTRACT ASSETS AND CONTRACT LIABILITIES

	As at	
	30 September 2022 <i>HK\$'000</i> (Unaudited)	31 March 2022 <i>HK\$'000</i> (Audited)
Contract assets	201,754	136,234
Less: Impairment loss allowance	(529)	(90)
	201,225	136,144
	201,225	136,144
Contract liabilities	85,354	65,009
	85,354	65,009

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 2022 <i>HK\$'000</i> (Unaudited)	31 March 2022 <i>HK\$'000</i> (Audited)
Trade payables:		
0 – 30 days	83,396	25,182
31 – 60 days	18,043	28,713
61 – 90 days	1,149	46
Over 90 days	889	—
	103,477	53,941
	103,477	53,941

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\$120.0 million, or 32.4%, from approximately HK\$370.0 million for the Last Period to approximately HK\$490.0 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 3 projects with an aggregate contract sum of approximately HK\$185.5 million, which related to MVAC system installation.

The following table sets forth the particulars of the 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 property development at Yuen Long, New Territories	Residential	29 April 2022	160.9
MVAC system installation for a commercial building at Tuen Mun, New Territories	Non-residential	3 August 2022	14.6
MVAC system installation for a residential and commercial development at Wan Chai, Hong Kong	Residential	24 August 2022	10.0

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 the Current Period

During the Current Period, the Group continued to focus its 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 80.0% and 20.0% respectively for the Current Period (2021: 83.2% and 16.8%).

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 commercial development at Chek Lap Kok, New Territories	Non-residential	29 April 2020	275.0	137.7
MVAC system installation for a development at Cheung Sha Wan, Kowloon	Residential	23 September 2020	152.7	46.1
Electrical system installation for a proposed residential development at Tuen Mun, New Territories	Residential	17 December 2020	106.0	41.9
MVAC system installation for a proposed residential development at Tuen Mun, New Territories	Residential	17 December 2020	70.0	29.2
MVAC system installation for a proposed redevelopment at Tsim Sha Tsui, Kowloon	Non-residential	14 December 2020	94.8	27.3

Future prospects

In the past year, the local economic environment continued to face various challenges and remained uncertain from the negative impacts of the Coronavirus Disease 2019 (“Covid-19”) pandemic, elevated inflation, manpower constraints and tight supply of materials etc. For the construction and E&M engineering services industry, on top of the above factors, the increase in costs of manpower, subcontractors, transportation, equipment and materials also impacted the construction businesses adversely.

Looking forward, with the continued efforts by the Hong Kong Government to address the housing demand of the public and increase the housing supply, it is expected that the land supply in the coming years will not slow down. With the implementation of the development plan on the “Northern Metropolis”, additional railway property development projects and private development and redevelopment projects, the high demand for the construction and E&M engineering services is expected to remain in the foreseeable future.

The second half of this financial year is expected to be relatively difficult for the industry and the Group due to the abovementioned industry-wide challenges; however, we are confident to get back on track and achieve further growth in the future by implementing various cost control and engineering process optimisation measures etc. The Group will further expand its service capabilities on MVAC and low voltage electrical system to capture additional business opportunities and diversify in other types of E&M engineering services, including fire services system, plumbing and drainage system etc. With satisfactory level of contracts on hand, together with our long-established reputation, experience and proven track record in the industry, the Group takes a positive attitude in achieving a steady growth in its business and creating long-term value to its shareholders in the years to come.

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately HK\$120.0 million, or 32.4%, from approximately HK\$370.0 million for the Last Period to approximately HK\$490.0 million for the Current Period. Revenue contributed by projects relating to MVAC system and low voltage electrical system accounted for approximately 80.0% and 20.0% respectively for the Current Period (2021: 83.2% and 16.8%).

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$30.0 million, or 91.2% from approximately HK\$32.9 million for the Last Period to approximately HK\$2.9 million for the Current Period. Our gross profit margin decreased by approximately 8.3 percentage points, from approximately 8.9% for the Last Period to approximately 0.6% for the Current Period.

The decrease in gross profit was mainly attributable to i) the adoption of a more competitive pricing strategy when securing the existing projects on hand due to the intensified market competition in recent years; and ii) the increase in costs of subcontractors, transportation, equipment and materials after successful tender.

Other income

Other income for the Current Period increased by approximately HK\$6.3 million, from approximately HK\$1.8 million for the Last Period to approximately HK\$8.1 million for the Current Period. The increase was mainly due to the receipt of government grant from the Employment Support Scheme launched by the Hong Kong Government during the Current Period (2021: nil).

Other loss

Other loss for the Current Period increased by approximately HK\$2.8 million, from approximately HK\$4.9 million for the Last Period to approximately HK\$7.7 million for the Current Period, which was attributable to the increased fair value loss on financial assets at fair value through profit or loss.

Administrative expenses

Our administrative expenses for the Current Period increased by approximately HK\$1.2 million, from approximately HK\$12.6 million for the Last Period to approximately HK\$13.8 million for the Current Period.

Finance costs

Our finance costs represented interest expenses on lease liabilities, with an amount of approximately HK\$0.1 million for both periods.

Income tax credit (expenses)

We recorded an income tax credit of approximately HK\$1.6 million for the Current Period due to the combined effect of the above factors, comparing with the income tax expense of approximately HK\$3.4 million for the Last Period. The effective tax rate for the Current Period was approximately 14.3% (2021: 20.1%).

(Loss) profit attributable to owners of the Company

As a result of the foregoing, we recorded a loss attributable to owners of the Company of approximately HK\$9.7 million for the Current Period, comparing with the profit attributable to owners of the Company of approximately HK\$13.5 million for the Last Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Capital Structure

As at 30 September 2022, the capital structure of the Group consisted of equity of approximately HK\$245.4 million (31 March 2022: HK\$290.8 million).

As at 30 September 2022, the issued share capital of the Company was HK\$4,000,000 divided into 400,000,000 ordinary shares of HK\$0.01 each.

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 and the retained profits.

As at 30 September 2022, the Group held short term bank deposits and cash and cash equivalents of approximately HK\$183.1 million (31 March 2022: HK\$249.5 million) in aggregate.

As at 30 September 2022, the current ratio of the Group was approximately 1.5 times (31 March 2022: 2.0 times).

Banking Facilities

As at 30 September 2022, the Group had a facility agreement entered into with a bank with a facility limit of HK\$150.0 million (31 March 2022: HK\$150.0 million). The Company had made undertakings relating to certain performance obligation of the controlling shareholders, namely Mr. Yu and Mr. Lau Man Ching (“Mr. Lau”), who is the chief executive officer of the Company and executive Director, pursuant to the facility agreement including the following: (i) Mr. Yu and Mr. Lau undertake to maintain as the largest shareholders of the Company directly or indirectly; and (ii) Mr. Yu and Mr. Lau shall remain as the chairman or director of the Company. The facility agreement remains effective as at the date of this announcement.

As at 30 September 2022, the Group had another facility agreement entered into with a bank with a facility limit of approximately HK\$90.2 million (31 March 2022: HK\$90.2 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 2022, the Group had another facility agreement entered into with a bank with a facility limit of HK\$80.0 million (31 March 2022: HK\$80 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 2022, the Group did not have any bank borrowing and its gearing ratio was nil (31 March 2022: nil).

NET CURRENT ASSETS

As at 30 September 2022, the Group had net current assets of approximately HK\$171.5 million (31 March 2022: HK\$216.0 million). The decrease in net current assets position was mainly due to the net loss recorded, the recognition of the provision of onerous contracts, the purchase of debt instruments at amortised cost and the declaration and payment of a special interim dividend and final dividend in respect of the year ended 31 March 2022 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\$0.6 million (2021: HK\$0.1 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 30 September 2022, performance guarantees of approximately HK\$161.7 million (31 March 2022: 134.8 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 2022.

PLEDGE OF ASSETS

As at 30 September 2022, the Group's leasehold land and buildings of approximately HK\$17.4 million (31 March 2022: HK\$17.8 million) were pledged with a bank to secure the banking facilities including performance guarantees issued by the bank.

CAPITAL COMMITMENTS

As at 30 September 2022, the Group had capital commitments of approximately HK\$0.1 million (31 March 2022: HK\$0.1 million) in relation to acquisition of property and equipment contracted but not provided for.

EMPLOYEES, TRAINING AND REMUNERATION POLICY

As at 30 September 2022, the Group had a total of 209 employees (31 March 2022: 207). The total staff costs (including Directors' emoluments) for the Current Period was approximately HK\$51.8 million (2021: HK\$45.9 million). 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. Share options may also be granted to the employees under share option scheme as incentives or rewards for their contribution to the Group. 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 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have plans for material investments or capital assets as at 30 September 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 Part 2 of Appendix 14 to the Listing Rules as its own code of corporate governance. The Board is of the opinion that the Company has complied, to the extent applicable and permissible, with all the relevant 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 standards 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 2022 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 2022, including the accounting principles and practices adopted by the Group, and is of the opinion that such unaudited condensed consolidated financial statements have complied with the applicable accounting standards and the requirements under the Listing Rules, and that adequate disclosures have been made.

REVIEW OF INTERIM RESULTS BY AUDITOR

The unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2022 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 (2021: Nil).

INTERIM REPORT

The 2022-23 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 2022

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.