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SH GROUP (HOLDINGS) LIMITED

順興集團（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1637)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2023**

FINANCIAL HIGHLIGHTS

(for the year ended 31 March 2023)

- Revenue was approximately HK\$954.3 million (2022: HK\$753.3 million)
- Gross profit was approximately HK\$8.7 million (2022: HK\$45.6 million)
- Loss for the year attributable to owners of the Company was approximately HK\$11.0 million (2022: profit of HK\$11.7 million)
- Basic loss per share was approximately HK2.8 cents per share (2022: earnings of HK2.9 cents per share)

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of SH Group (Holdings) Limited (the “Company”) presents the audited consolidated results of the Company and its subsidiaries (collectively as the “Group”) for the year ended 31 March 2023 (the “Year” or “FY2023”), together with the comparative figures for the year ended 31 March 2022 (“Last Year” or “FY2022”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	<i>Notes</i>	For the year ended 31 March	
		2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	954,255	753,327
Direct costs		(945,599)	(707,728)
Gross profit		8,656	45,599
Other income		10,902	2,890
Other loss		(4,215)	(7,474)
Net impairment loss recognised under expected credit loss model		(1,762)	(1,338)
Administrative expenses		(27,541)	(23,964)
Finance costs		(49)	(91)
(Loss) profit before taxation		(14,009)	15,622
Income tax credit (expense)	4	3,007	(3,889)
(Loss) profit and total comprehensive (expense) income for the year		(11,002)	11,733
(Loss) earnings per share			
— Basic (HK cents)	5	(2.8)	2.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

		As at 31 March	
	Notes	2023	2022
		HK\$'000	HK\$'000
Non-current assets			
Property and equipment		18,361	19,093
Right-of-use assets		599	2,434
Deposits		2,858	2,960
Debt instruments at amortised cost		6,523	4,715
Financial assets at fair value through profit or loss		40,191	46,506
Deferred tax assets		6,553	64
		<u>75,085</u>	<u>75,772</u>
Current assets			
Trade receivables	7	67,150	34,019
Other receivables, deposits and prepayments		13,572	9,593
Contract assets	8	233,409	136,144
Debt instruments at amortised cost		478	—
Tax recoverable		3,063	3,044
Short term bank deposits		52,621	—
Bank balances and cash		61,362	249,541
		<u>431,655</u>	<u>432,341</u>
Current liabilities			
Trade payables	9	72,174	53,941
Other payables and accrued charges		124,192	95,055
Contract liabilities	8	59,122	65,009
Lease liabilities		582	2,307
Provision for onerous contracts		6,197	—
		<u>262,267</u>	<u>216,312</u>
Net current assets		<u>169,388</u>	<u>216,029</u>
Total assets less current liabilities		<u>244,473</u>	<u>291,801</u>
Non-current liabilities			
Other provision		308	521
Lease liabilities		48	444
		<u>356</u>	<u>965</u>
Net assets		<u>244,117</u>	<u>290,836</u>
Capital and reserves			
Share capital		4,000	4,000
Reserves		240,117	286,836
Equity attributable to owners of the Company		<u>244,117</u>	<u>290,836</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 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") on 3 January 2017.

The Group is principally engaged in providing electrical and mechanical engineering ("E&M engineering") services in Hong Kong.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on 1 April 2022 for the preparation of the 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 year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

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

The Group has applied the amendments for the first time in the current year. The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37, the unavoidable costs under a contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (e.g. an allocation of project overhead costs).

In accordance with the transitional provisions, the amendments are applicable 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 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 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 consolidated statement of profit or loss and other comprehensive income and loss per share, are as follows:

	For the year ended 31 March 2023 HK\$'000
Impact on loss and total comprehensive expense for the year	
Decrease in direct costs	15,021
Decrease in income tax credit	<u>(2,478)</u>
Net decrease in loss and total comprehensive expense for the year	<u><u>12,543</u></u>
Impact on loss per share	
Basic loss per share before adjustments (HK cents)	(5.9)
Adjustments arising from change in accounting policy (HK cents)	<u>3.1</u>
Reported loss per share (HK cents)	<u><u>(2.8)</u></u>

The effect of application of the amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract on the 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	<u>(21,218)</u>
Total effects on net assets	<u><u>(17,717)</u></u>
Decrease in retained profits	<u>(17,717)</u>
Total effect on equity	<u><u>(17,717)</u></u>

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2024

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

3. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the fair value of amounts received or receivable arising from the engineering service contracts of the Group from external customers. The Group's revenue was solely derived from E&M engineering services with the focus on the supply, installation and maintenance of mechanical ventilation and air-conditioning system ("MVAC system") and low voltage electrical system in Hong Kong during the years ended 31 March 2023 and 2022.

Disaggregation of revenue

	For the year ended 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Type of services (revenue recognised over time)		
– Supply, installation and maintenance of MVAC system	740,617	635,532
– Supply, installation and maintenance of low voltage electrical system	213,638	117,795
	<u>954,255</u>	<u>753,327</u>

The revenue recognised for the years ended 31 March 2023 and 2022 was mainly from private sector projects.

Segment information

For the purpose of resources allocation and performance assessment, the executive directors of the Company, being the chief operating decision maker, review the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and only entity-wide disclosures, major customers and geographical information are presented.

Geographical information

The Group's revenue are all derived from Hong Kong based on the location of services delivered and the Group's property and equipment and right-of-use assets amounting to HK\$18,960,000 as at 31 March 2023 (2022: HK\$21,527,000) are all located in Hong Kong by physical location of assets.

Information about major customers

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

	For the year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Customer A	213,482	N/A*
Customer B	169,980	N/A*
Customer C	119,794	79,504
Customer D	105,699	N/A*
Customer E	N/A*	167,213
Customer F	N/A*	159,216
	<u>213,482</u>	<u>159,216</u>

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

4. INCOME TAX CREDIT (EXPENSE)

	For the year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Hong Kong Profits Tax:		
Current tax		
– Provision for the year	—	(3,939)
– Over/(under)-provision in prior years	19	(8)
	<u>19</u>	<u>(3,947)</u>
Deferred taxation	2,988	58
	<u>3,007</u>	<u>(3,889)</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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%.

5. (LOSS) EARNINGS PER SHARE

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

	For the year ended 31 March	
	2023	2022
(Loss) earnings:		
(Loss) earnings for the purpose of calculating basic (loss) earnings per share ((loss) profit for the year attributable to owners of the Company) (HK\$'000)	<u>(11,002)</u>	<u>11,733</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 years ended 31 March 2023 and 2022 was presented as there was no dilutive potential ordinary share in issue for both years.

6. DIVIDENDS

During the year ended 31 March 2023, 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. The Board did not propose any final dividend in respect of the year ended 31 March 2023.

During the year ended 31 March 2022, a final dividend in respect of the year ended 31 March 2021 of HK3.9 cents per ordinary share (HK\$15.6 million in aggregate) was declared and paid to the shareholders of the Company.

7. TRADE RECEIVABLES

	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
Trade receivables	67,708	34,182
Less: Impairment loss allowance	<u>(558)</u>	<u>(163)</u>
	<u>67,150</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 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	30,226	23,762
31 – 60 days	28,694	9,274
61 – 90 days	4,260	236
Over 90 days	3,970	747
	<u>67,150</u>	<u>34,019</u>

8. CONTRACT ASSETS AND CONTRACT LIABILITIES

	As at 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets	234,819	136,234
Less: Impairment loss allowance	(1,410)	(90)
	<u>233,409</u>	<u>136,144</u>
Contract liabilities	<u>59,122</u>	<u>65,009</u>

9. TRADE PAYABLES

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

	As at 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables:		
0 – 30 days	32,585	25,182
31 – 60 days	39,434	28,713
61 – 90 days	—	46
Over 90 days	155	—
	<u>72,174</u>	<u>53,941</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in providing E&M engineering services in Hong Kong. We provide services in relation to the supply, installation and maintenance of MVAC system, and also provide services in relation to low voltage electrical system and other E&M systems, including fire services system, plumbing and drainage system, in both private and public sectors.

BUSINESS REVIEW

Our revenue increased by approximately HK\$201.0 million, or 26.7%, from approximately HK\$753.3 million for FY2022 to approximately HK\$954.3 million for FY2023. Major projects awarded and major projects undertaken in FY2023 are outlined below.

Projects awarded in FY2023

During FY2023, we were awarded 3 projects with an aggregate contract sum of approximately HK\$185.5 million, which were related to MVAC system installation.

The following table sets forth the particulars of the projects awarded in FY2023:

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 FY2023

During FY2023, 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 77.6% and 22.4% respectively (2022: 84.4% and 15.6%).

The following table sets forth the particulars of the five largest projects undertaken in FY2023 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 FY2023 <i>HK\$'million</i>
MVAC system installation for a commercial development at Chek Lap Kok, New Territories	Non-residential	29 April 2020	275.0	213.5
MVAC system installation for a commercial development at Cheung Sha Wan, Kowloon	Non-residential	5 October 2020	171.0	103.4
Electrical system installation for a proposed residential development at Sham Shui Po, Kowloon	Residential	19 February 2021	294.2	88.1
MVAC system installation for a development at Cheung Sha Wan, Kowloon	Residential	23 September 2020	152.7	61.1
MVAC system installation for a proposed redevelopment at Tsim Sha Tsui, Kowloon	Non-residential	14 December 2020	94.8	60.7

Recent development

Subsequent to FY2023 and up to the date of this announcement, we were awarded 1 project with a contract sum of approximately HK\$23.7 million, which was related to MVAC system installation.

OUTLOOK

The global economy has been severely impacted by the Coronavirus Disease 2019 (“Covid-19”) pandemic in the past years and is facing a slow recovery post-pandemic. Specifically in the construction and E&M engineering services industry, other adverse factors like, elevated inflation, manpower constraints, tight supply of materials and high interest rate are also hindering the recovery. These resulted in lacking manpower to complete the existing projects and increase in different types of direct costs (e.g. manpower, subcontractors, transportation, equipment and materials) which eventually impacted the profitability of existing projects.

Looking forward, although with the reduction of tendering for new development projects in the recent months, with the continued efforts by the Hong Kong Government to address the housing demand of the public and increase the housing supply as well as the implementation of the development plan on the “Northern Metropolis”, additional railway property development projects and private development and redevelopment projects, the demand for the construction and E&M engineering services is expected to remain in the foreseeable future.

The Group has been looking for ways to mitigate these challenges and get back on track by focusing on targeted projects and applying cost saving measures etc. in order to remain competitive in the market. 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\$201.0 million, or 26.7%, from approximately HK\$753.3 million for FY2022 to approximately HK\$954.3 million for FY2023. Revenue contributed by projects relating to the supply, installation and maintenance of MVAC system and low voltage electrical system was approximately 77.6% and 22.4% respectively (2022: 84.4% and 15.6% respectively).

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$36.9 million, or 80.9% from approximately HK\$45.6 million for FY2022 to approximately HK\$8.7 million for FY2023. Our gross profit margin decreased by approximately 5.2 percentage points, from approximately 6.1% for FY2022 to approximately 0.9% for FY2023. The decrease in gross profit and gross profit margin was mainly attributable to (i) the adoption of a more competitive pricing strategy when securing the existing projects on hand due to intensified market competition in recent years; and (ii) the increase in cost of subcontractors, transportation, equipment and materials after successful tender.

Other income

Other income for FY2023 increased by approximately HK\$8.0 million, from approximately HK\$2.9 million for FY2022 to approximately HK\$10.9 million for FY2023. The increase was mainly attributable to the government grant of approximately HK\$6.2 million received from the Employment Support Scheme launched by the Hong Kong Government during FY2023 (2022: nil).

Other loss

We recorded an other loss of approximately HK\$4.2 million for FY2023, which was mainly attributable to the fair value loss of financial assets at fair value through profit or loss (2022: HK\$7.5 million).

Net impairment loss recognised under expected credit loss model

We recognised a net impairment loss under expected credit loss model of approximately HK\$1.8 million for FY2023 (2022: HK\$1.3 million).

Administrative expenses

Our administrative expenses mainly represented administrative staff costs, professional fees and depreciation. The amount increased by approximately HK\$3.5 million, from approximately HK\$24.0 million for FY2022 to approximately HK\$27.5 million for FY2023.

Finance costs

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

Income tax credit (expense)

Due to the combined effect of the above factors, we recorded a loss before taxation of approximately HK\$14.0 million and an income tax credit of approximately HK\$3.0 million was recognised as a result for FY2023, comparing with the recognition of income tax expense of approximately HK\$3.9 million as a result of a profit before taxation of approximately HK\$15.6 million for FY2022. The effective tax rate for FY2023 was approximately 21.5% (2022: 24.9%).

(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\$11.0 million for FY2023, comparing with the profit attributable to owners of the Company of approximately HK\$11.7 million for FY2022.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Capital Structure

As at 31 March 2023, the capital structure of the Group consisted of equity of approximately HK\$244.1 million (2022: HK\$290.8 million). The Group did not have any bank borrowing as at 31 March 2023 and 2022.

Cash position and fund available

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

As at 31 March 2023, the Group held short term bank deposits and bank balances and cash of approximately HK\$114.0 million (2022: HK\$249.5 million) in aggregate.

As at 31 March 2023, the current ratio of the Group was approximately 1.6 times (2022: 2.0 times).

Bank Facilities

As at 31 March 2023, the Group had a facility agreement entered into with a bank with a facility limit of HK\$150.0 million (2022: HK\$150.0 million). The Company had made undertakings relating to certain performance obligations of the controlling shareholders, namely Mr. Yu and Mr. Lau Man Ching (“Mr. Lau”), who is the chief executive officer of the Company and an executive Director, pursuant to the facility agreement including the following: (i) Mr. Yu and Mr. Lau undertake to maintain as the largest shareholders of the Company directly or indirectly; and (ii) Mr. Yu and Mr. Lau shall remain as the chairman or director of the Company. The facility agreement remains effective as at the date of this announcement.

As at 31 March 2023, the Group had another facility agreement entered into with a bank with a facility limit of approximately HK\$90.2 million (2022: HK\$90.2 million) with the following obligations undertaken by the Group: (i) In case of Mr. Yu and Mr. Lau are not the major shareholders of the Company, the Group should notify the bank 14 days in advance; and (ii) In case of Mr. Yu is not entitled to be chairman of the Company, the Group should notify the bank 14 days in advance.

As at 31 March 2023, the Group had another facility agreement entered into with a bank with a facility limit of HK\$88.0 million (2022: HK\$80.0 million) with the following obligations undertaken by the Group: (i) In case of Mr. Yu and Mr. Lau are not the major shareholders of the Company, the Group should notify the bank 14 days in advance; and (ii) In case of Mr. Yu and Mr. Lau are not entitled to be chairman or director of the Company, the Group should notify the bank 14 days in advance.

GEARING RATIO

As at 31 March 2023, the Group did not have any bank borrowing and its gearing ratio was nil (2022: nil).

NET CURRENT ASSETS

As at 31 March 2023, the Group had net current assets of approximately HK\$169.4 million (2022: HK\$216.0 million). The decrease in net current asset position was mainly attributable to net loss recorded, the recognition of the provision of onerous contracts 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 Year.

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

CAPITAL EXPENDITURES

The Group's capital expenditures for FY2023 amounted to approximately HK\$0.7 million (2022: HK\$0.2 million), which was incurred for the purchase of property and equipment.

FOREIGN EXCHANGE EXPOSURE

The Group's revenue-generating activities were transacted in Hong Kong Dollar, which is the functional currency of the respective group companies. The Board considers that the Group was not exposed to significant foreign exchange risk, and had not entered into any financial instrument for hedging. The Board will review the Group's foreign exchange risk and exposure from time to time and will apply hedging where necessary.

PERFORMANCE GUARANTEES AND CONTINGENT LIABILITY

As at 31 March 2023, performance guarantees of approximately HK\$178.9 million (2022: HK\$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 31 March 2023 and 2022.

PLEDGE OF ASSETS

As at 31 March 2023, the Group's leasehold land and buildings of approximately HK\$17.1 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 31 March 2023, the Group had capital commitments of approximately HK\$0.1 million in relation to acquisition of property and equipment contracted but not provided for (2022: HK\$0.1 million).

EMPLOYEES, TRAINING AND REMUNERATION POLICY

As at 31 March 2023, the Group had a total of 200 employees (2022: 207). 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 FY2023.

SIGNIFICANT INVESTMENTS HELD

The Group did not have any significant investments held as at 31 March 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have plans for material investments or capital assets as at 31 March 2023.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of corporate governance. The Board is of the opinion that the Company has complied, to the extent applicable and permissible, with all the code provisions set out in the CG Code during the Year.

Directors' Securities Transactions

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

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

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

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2023 and up to the date of this announcement.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Company has established the audit committee of the Company (the “Audit Committee”) on 6 December 2016 with written terms of reference in compliance with the Listing Rules as amended from time to time. The Audit Committee currently consists of three independent non-executive Directors, namely Dr. Law Man Wah (as chairman), Mr. Lam Yim Nam and Mr. Lee Wing Kee. The Audit Committee has reviewed the Group’s consolidated financial statements for the Year, including the accounting principles and practices adopted by the Group, as well as the risk management and internal control systems of the Group.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in this announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year as approved by the Board of Directors on 29 June 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

FINAL DIVIDEND

The Directors do not recommend any final dividend for the Year.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the 2023 annual general meeting to be held on Wednesday, 23 August 2023 (the “2023 AGM”), the register of members of the Company will be closed from Thursday, 17 August 2023 to Wednesday, 23 August 2023, both days inclusive, during the period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2023 AGM, all transfer of shares accompanied by the relevant certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m on Wednesday, 16 August 2023.

ANNUAL REPORT

The 2022-23 Annual Report will be published on the Company's website at <http://www.shunhingeng.com> and the Stock Exchange's website at www.hkexnews.hk in due course.

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

Hong Kong, 29 June 2023

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