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Sang Hing Holdings (International) Limited

生興控股（國際）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1472)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2020**

FINANCIAL HIGHLIGHTS			
	2020	2019	Increase
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Revenue	515,560	434,717	18.6
EBITDA	78,415	65,925	18.9
Profit before tax	59,857	51,191	16.9
Profit for the year attributable to owners of the Company	48,030	41,035	17.0
Earnings per share attributable to owners of the Company			
Basic and diluted (<i>HK cents</i>)	6.32	5.47	15.5

EBITDA is defined as profit before finance costs, taxation, depreciation and listing expenses.

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Sang Hing Holdings (International) Limited (the “**Company**”) is pleased to announce the audited results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2020, together with the comparative figures for the year ended 31 March 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	<i>5</i>	515,560	434,717
Cost of services		<u>(438,297)</u>	<u>(368,787)</u>
Gross profit		77,263	65,930
Other income and net gain	<i>6</i>	4,416	4,150
Administrative and operating expenses		(9,810)	(8,443)
Listing expenses		<u>(11,903)</u>	<u>(10,321)</u>
Profit from operations		59,966	51,316
Finance costs	<i>7</i>	<u>(109)</u>	<u>(125)</u>
Profit before tax	<i>8</i>	59,857	51,191
Income tax	<i>9</i>	<u>(11,827)</u>	<u>(10,156)</u>
Profit and total comprehensive income for the year		<u>48,030</u>	<u>41,035</u>
Profit and total comprehensive income for the year attributable to owners of the Company		<u>48,030</u>	<u>41,035</u>
Earnings per share attributable to owners of the Company			
Basic and diluted (<i>HK cents</i>)	<i>11</i>	<u>6.32</u>	<u>5.47</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>12</i>	24,426	16,247
Right-of-use assets		1,634	–
Contract assets		2,293	4,443
Deposit paid		1,300	–
		29,653	20,690
Current assets			
Trade receivables	<i>13</i>	40,241	46,218
Contract assets		47,438	18,437
Prepayments, deposits and other receivables		69,685	27,679
Tax recoverable		594	–
Pledged bank deposits		8,305	4,063
Cash and cash equivalents		172,214	101,210
		338,477	197,607
Current liabilities			
Trade and retention payables	<i>14</i>	55,062	40,114
Other payables and accruals		14,629	8,581
Contract liabilities		4,636	–
Tax payables		–	6,613
Dividend payable		–	10,000
Lease liabilities		1,059	–
Obligations under finance leases		–	1,283
		75,386	66,591
Net current assets		263,091	131,016
Total assets less current liabilities		292,744	151,706

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		2,912	1,926
Lease liabilities		450	–
Obligations under finance leases		<u>–</u>	<u>407</u>
		<u>3,362</u>	<u>2,333</u>
Net assets		<u><u>289,382</u></u>	<u><u>149,373</u></u>
Capital and reserves			
Share capital	<i>15</i>	10,000	–*
Reserves		<u>279,382</u>	<u>149,373</u>
Total equity attributable to owners of the Company		<u><u>289,382</u></u>	<u><u>149,373</u></u>

* *The balance represents an amount less than HK\$1,000.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 25 June 2018 and its shares have been listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 17 March 2020 (the “**Listing Date**”) by way of share offer at a price of HK\$0.5 each upon Listing (the “**Share Offer**”). The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 215A-B, 2/F, Central Services Building, Nan Fung Industrial City, No. 18 Tin Hau Road, Tuen Mun, New Territories, Hong Kong, respectively.

The Company’s immediate and ultimate holding company is Worldwide Intelligence Group Limited (“**Worldwide Intelligence**”), a company incorporated in the British Virgin Islands. Worldwide Intelligence is controlled by Mr. Lai Wai who is the chairman and executive director of the Company. Worldwide Intelligence and Mr. Lai Wai are referred to as the controlling shareholders of the Company.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are provision of civil engineering works service and related services.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Group. All values are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

2. GROUP REORGANISATION AND PRESENTATION AND BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to the Reorganisation as fully explained in “History, Reorganisation and corporate structure – Reorganisation” of the Prospectus of the Company dated 28 February 2020 (the “**Prospectus**”), the Company became the holding company of the companies now comprising the Group on 9 July 2018. The Companies now comprising the Group were under the common control of Mr. Lai Wai before and after the Reorganisation. Accordingly, the consolidated financial statements has been prepared on the basis by applying the principles of merger accounting as if the Reorganisation has been completed at the beginning of the reporting period.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows include the results and cash flows of the companies now comprising the Group have been prepared as if the current group structure upon completion of the Reorganisation had been in existence since 1 April 2018 or their respective date of incorporation, where there is a shorter period.

All intra-group transactions and balances have been eliminated on consolidation.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given exchange for goods and services.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs and interpretations (collectively referred to as the “**new and amendments to HKFRSs**”) issued by the HKICPA, for the first time in the current year:

HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term interests in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 *Leases* (“**HKFRS 16**”) for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* (“**HKAS 17**”) and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information in previous reporting period has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of office premises in Hong Kong was determined on a portfolio basis; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

At 1 April 2019, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.25%.

	As at 1 April 2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	<u>1,130</u>
Lease liabilities discounted at relevant incremental borrowing rates	1,097
<i>Less:</i> Recognition exemption – short term leases	<u>(383)</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS16 as at 1 April 2019	714
<i>Add:</i> Obligations under finance leases recognised as at 31 March 2019	<u>1,690</u>
Lease liabilities as at 1 April 2019	<u><u>2,404</u></u>
Analysed as:	
Current	1,644
Non-current	<u>760</u>
	<u><u>2,404</u></u>

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	<i>HK\$'000</i>
Right-of-use assets relating to operating lease recognised upon application of HKFRS 16	714
Reclassified from property, plant and equipment	<u>2,333</u>
	<u><u>3,047</u></u>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

		Carrying amount previously reported at 31 March 2019	Impacted on adoption of HKFRS 16 Remeasurement	Impacted on adoption of HKFRS 16 Reclassification	Carrying amount as restated at 1 April 2019
	<i>note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets					
Property, plant and equipment	<i>(a)</i>	16,247	–	(2,333)	13,914
Right-of-use assets		–	714	2,333	3,047
Current liabilities					
Lease liabilities		–	361	1,283	1,644
Obligations under finance leases	<i>(a)</i>	1,283	–	(1,283)	–
Non-current liabilities					
Lease liabilities		–	353	407	760
Obligations under finance leases	<i>(a)</i>	407	–	(407)	–

note:

- (a) In relation to assets previously under finance lease, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 amounting to HK\$2,333,000 as right-of-use assets. In addition, the Group reclassified the current portion and non-current portion of obligations under finance leases of HK\$1,283,000 and HK\$407,000 respectively to lease liabilities as current liabilities and non-current liabilities at 1 April 2019.

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:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material ¹
HKFRS 3 (Amendments)	Definition of a Business ²
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform ¹
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associates or Joint Venture ⁴
HKFRS 16 (Amendments)	Covid-19 Related Rent Concession ⁵
HKFRS 17	Insurance Contracts ³

¹ Effective for annual periods beginning on or after 1 January 2020.

² Effective for business combination and asset acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ No mandatory effective date is determined yet but early application is permitted.

⁵ Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the “Amendments to References to the Conceptual Framework in HKFRS Standards” will be effective for annual periods beginning on or after 1 January 2020. The Directors 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.

4. SEGMENT INFORMATION

(i) Operating segment information

The Group’s most senior executive management has been identified as the executive directors who review the Group’s internal reporting in order to assess performance and allocate resources. The Group’s most senior executive management has determined the operating segments based on these reports.

The Group’s most senior executive management assesses the performance based on a measure of profit after income tax and considers all businesses to be included in a single operating segment.

The Group is principally engaged in the business of civil engineering works service and related services in Hong Kong. Information reported to the Group's most senior executive management for the purpose of resources allocation and performance assessment, focuses on the operating result of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating and geographical segment information is presented.

(ii) **Information about major customers**

Revenue from customers during the years ended 31 March 2020 and 2019 contributing individually over 10% of the Group's revenue is as follows:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	443,633	350,295
Customer B	70,101	82,849

5. REVENUE

The Group's revenue represents the amount received and receivable for revenue arising on civil engineering works services and related services which is recognised over time.

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from civil engineering works	515,560	434,717

Performance obligations for contracts with customers

The Group provides construction services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the value of completed construction work using output method.

In recognising the construction revenue, the Group adjusts the amount of payment received for the effect of the time value of money of the goods and services transferred to the customers. In certain circumstances, the adjustment will result the amount of payment received in excess of the revenue recognised to date. Such difference will be recorded as contract liabilities.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving the value of construction work has been agreed with the customers. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfer the contract assets to trade receivables when the Group issued invoice to the customers based on the value of work certified by the architects, surveyor or other representatives appointed by the customers.

Transaction price allocated to the remaining performance obligation for contracts with customers

As at 31 March 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK\$520,796,000 (2019: HK\$615,574,000). This amount represents revenue expected to be recognised in the future from construction contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 4 years from the end of the reporting period.

6. OTHER INCOME AND NET GAIN

	2020	2019
	HK\$'000	HK\$'000
Bank interest income	704	387
Government subsidies	765	673
Compensation from insurance	1,253	–
Income from supplying construction materials, labour and others	610	1,795
Net gain on disposal of property, plant and equipment	249	10
Gain on modification of lease	3	–
Management fee income	661	1,285
Sundry income	171	–
	4,416	4,150

7. FINANCE COSTS

	2020	2019
	HK\$'000	HK\$'000
Interest on finance leases	–	125
Interest on bank overdrafts	6	–
Interest on lease liabilities	103	–
	109	125

8. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Auditors' remuneration (<i>note (a)</i>)	900	200
Listing expenses	11,903	10,321
Depreciation		
– Depreciation of property, plant and equipment	5,702	4,288
– Depreciation of right-of-use assets	844	–
<i>Less: amounts included in cost of services</i>	<u>(5,479)</u>	<u>(3,665)</u>
	<u>1,067</u>	<u>623</u>
Directors' remuneration		
– Other emoluments (fees, salaries, allowance and benefit in kind)	975	–
– Retirement benefit scheme contributions	17	–
Staff costs (excluding Directors' remuneration)		
– Wages, salaries, allowance and bonus	82,082	74,081
– Retirement benefits schemes contributions	<u>2,926</u>	<u>2,624</u>
	85,008	76,705
<i>Less: amounts included in cost of services</i>	<u>(79,924)</u>	<u>(71,357)</u>
	<u>5,084</u>	<u>5,348</u>
Allowance for expected credit losses on other receivables	326	–
Minimum lease payments under operating leases	–	390
Short-term lease expenses	<u>235</u>	<u>–</u>

note: (a) Exclude services for the listing of the Company.

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) of the estimated assessable profits arising in Hong Kong during the year.

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 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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Provision for Hong Kong profits tax:		
– Current tax	10,861	9,404
– Over-provision in prior years	(20)	–
– Deferred taxation	986	752
	<u>11,827</u>	<u>10,156</u>

10. DIVIDENDS

During the year ended 31 March 2019, Sang Hing Civil Contractors Company Limited declared HK\$30,000,000, dividends to its shareholders.

During the year ended 31 March 2020, the Company declared dividends for the amounts of HK\$10,000,000 to its shareholders and paid in February 2020.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2020 of HK\$0.01 per ordinary share (HK\$10,000,000 in aggregate) has been proposed by the directors of the Company and is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year of approximately HK\$48,030,000 (2019: approximately HK\$41,035,000) and the weighted average number of ordinary shares of the Company in issue during the year is calculated as follows:

	2020	2019
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>760,245,902</u>	<u>750,000,000</u>

The weighted average number of ordinary shares used in the calculation of basic earnings per share for the year has been determined on the assumption that 750,000,000 ordinary shares had been in issue, comprising 100 ordinary shares issued under the Reorganisation and 749,999,900 ordinary shares issued pursuant to the capitalisation issue which took place upon the completion of the Share Offer, which were assumed to occur at 1 April 2018.

No dilutive earnings per share is presented as there was no potential dilutive ordinary shares in issue during both years.

12. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 March 2020, the Group spent approximately HK\$14,414,000 (2019: approximately HK\$9,425,000) on the acquisition of property, plant and equipment, in order to increase its capacity of works.

13. TRADE RECEIVABLES

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<u>40,241</u>	<u>46,218</u>

The average credit period on construction works is 30 days.

An aging analysis of trade receivables, based on the invoice date, is as follows:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	<u>40,241</u>	<u>46,218</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. The trade receivables are assessed individually for impairment allowance based on the Group's internal credit rating, historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

An aging analysis of the trade receivables as at the end of the reporting period, based on the due date, is as follows:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	<u>40,241</u>	<u>46,218</u>

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

14. TRADE AND RETENTION PAYABLES

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	47,312	37,383
Retention payables	<u>7,750</u>	<u>2,731</u>
	<u>55,062</u>	<u>40,114</u>

The credit period on trade payables is up to 60 days. Aging analysis of trade payables, based on invoice dates, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0-30 days	14,895	19,140
31-60 days	21,586	10,848
61-90 days	6,025	4,098
Over 90 days	4,806	3,297
	<u>47,312</u>	<u>37,383</u>

15. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 25 June 2018 (date of incorporation)		
31 March 2019 and 1 April 2019	38,000,000	380
Increase in authorised share capital (<i>note (iii)</i>)	9,962,000,000	99,620
At 31 March 2020	<u>10,000,000,000</u>	<u>100,000</u>
Issued:		
At 25 June 2018 (date of incorporation) (<i>note (i)</i>)	10	—*
Issue of shares under the Reorganisation (<i>note (ii)</i>)	90	—*
At 31 March 2019 and 1 April 2019	100	—*
Capitalisation issue (<i>note (iv)</i>)	749,999,900	7,500
Issue of new shares under the Share Offer (<i>note (v)</i>)	250,000,000	2,500
At 31 March 2020	<u>1,000,000,000</u>	<u>10,000</u>

* The balance represents an amount less than HK\$1,000.

note:

- (i) The Company was incorporated on 25 June 2018 with authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On 25 June 2018, one share of HK\$0.01 was allotted and issued to initial subscriber of the Company, an independent third party. Such one share was then immediately transferred to Worldwide Intelligence, following which seven, one and one new shares of HK\$0.01 each were issued to Worldwide Intelligence, Pride Success Development Corporation and United Progress Holdings Corporation, respectively.
- (ii) On 9 July 2018, as part of the Reorganisation as set out in Note 2 to consolidated financial statements, the Company acquired from Worldwide Intelligence, Pride Success Development Corporation and United Progress Holdings Corporation all of their shares in Sang Hang Holdings (Hong Kong) Limited. In consideration thereof, the Company allotted and issued as fully paid 72, nine and nine Shares to Worldwide Intelligence, Pride Success Development Corporation and United Progress Holdings Corporation, respectively.
- (iii) On 29 January 2020, the then shareholders of the Company resolved to increase the authorised share capital of the Company from HK\$380,000 to HK\$100,000,000 by the creation of 9,962,000,000 additional shares, each ranking *pari passu* with the shares of the Company then in issue in all respects.
- (iv) On 29 January 2020, the Company capitalised an amount of HK\$7,499,999 by issuing additional 749,999,900 shares, credited as fully paid, to the holder(s) of shares on the register of members of the Company at the close of business on 29 January 2020 (or as they may direct) in proportion to their shareholdings (save that no shareholder shall be entitled to be allotted and issued any fraction of a share).
- (v) On 17 March 2020, 250,000,000 ordinary shares were issued at a price of HK\$0.5 each upon the Listing. The proceeds of HK\$2,500,000, representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately HK\$99,479,000, net of the listing expenses directly attributable to the issuance of shares, were credited to the share premium account.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FINANCIAL RESULTS

The Group are an established main contractor with over 20 years of experience specialising in a variety of civil engineering works, including site formation, road and bridge construction, drainage and sewerage construction, watermain installation and slope works in Hong Kong. We are a Group C contractor under the Site Formation and Roads and Drainage categories with confirmed status and are qualified to tender for public works contracts of any values exceeding HK\$300 million.

For the year ended 31 March 2020, the Group's revenue was approximately HK\$515.6 million (2019: approximately HK\$434.7 million), an increase of 18.6% as compared with last year. The profit attributable to shareholders for the year ended 31 March 2020 was approximately HK\$48.0 million while the profit for the year ended 31 March 2019 was approximately HK\$41.0 million, representing an increase of 17.0%, which was mainly due to increase in revenue from civil engineering works of on-going projects.

Analysis of revenue of each project during the year ended 31 March 2020 was as follows:

Project Code	Type of works	Location	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
On-going projects				
W49	Construction of sewers and sewerage system	Tuen Mun District	70,101	81,297
W52	Remaining works of cycle tracks	North District and Tuen Mun District	126,336	167,743
W54	Temporary construction waste sorting facilities	Sai Kung District and Tuen Mun District	18,435	56,779
W55	Development of columbarium and infrastructural works	North District	61,570	40,642
W56	Land decontamination and advance engineering works	North District	205,924	65,922
W57	Development of Long Valley Nature Park	North District	31,107	–

Project Code	Type of works	Location	2020 HK\$'000	2019 HK\$'000
Projects completed or substantially completed				
W45	Reprovisioning of a road and associated security facilities and drainage works	North District	–	1,552
W47	Site formation and infrastructure works	North District	–	11,410
W48	Construction of cycle tracks	North District and Tuen Mun District	261	7,799
W50	Construction of temporary parking area	Islands District	–	1,345
W51	Enhancement of foreign object debris fence in airfield	Island District	–	228
W53	Construction of taxiway and connection works	Island District	<u>1,826</u>	<u>–</u>
Total revenue			<u><u>515,560</u></u>	<u><u>434,717</u></u>

During the year ended 31 March 2020, we recognised revenue from 8 projects in total, of which one project was completed. In December 2019, we were awarded a new site formation works project, Project W57, by Civil Engineering and Development Department of the Government. The revenue for the year ended 31 March 2020 was increased as compared with last year since most of our on-going projects were entering into peak period of its ordinary works, especially for Projects W49, W52 and W56.

The gross profit margin for the year ended 31 March 2020 was 15.0% (2019: 15.2%). Slightly decrease in gross profit margin as compared with last year was due to increase in price of construction materials and supplies and subcontracting charges.

Other income and net gain for the year ended 31 March 2020 was amounting to approximately HK\$4.4 million (2019: approximately HK\$4.2 million), representing an increase of 6.4% as compared with last year, which was due to increase in compensation from insurance for a employee's injury case.

Administrative and operating expenses for the year ended 31 March 2020 were amounting to approximately HK\$9.8 million (2019: approximately HK\$8.4 million), representing an increase of 16.2% as compared with last year, which was mainly due to increase in depreciation and other related expenses being as a listed company.

Due to the recent outbreak of novel coronavirus (COVID-19) in Hong Kong since January 2020, we have implemented the following measures advised by the Development Bureau of the Government in relation to resumption of construction works after the Chinese New Year holiday:

- monitoring the stock of personal protection equipment (including but not limited to surgical masks and hand sanitizer) for staff and workers;
- mandatory body temperature check before entering works sites and for those who have fever or respiratory symptoms shall be refrained from working and seek medical advice promptly;
- requesting staff and workers to wear surgical masks both at office and works sites;
- mandatory travel reporting and for those who return from the PRC shall be quarantined for 14 days;
- maintaining environmental hygiene and cleanliness of works sites; and
- placing health education materials on novel coronavirus at prominent areas of office and works sites.

Apart from the above measures, we also closely monitored the situation of our suppliers and subcontractors. Our employees and subcontractors have also resumed work after the Chinese New Year holidays. Directors confirm that, there has not been any material delay on the work progress or suspension of any of our ongoing projects and no material impact on the Company's operation and financial performance as a result of the recent outbreak of novel coronavirus as at the date of this announcement. In the event of potential delay caused to our ongoing projects, according to the communications with our customers, extension of time will be granted.

Directors also confirm that, since 31 March 2020 and up to the date of this announcement, there was no material adverse change in the trading and financial position of the Group and no event had occurred that would materially and adversely affect the financial information shown in this announcement.

OUTLOOK

Looking forwards, civil engineering works market in Hong Kong is mainly driven by the ongoing and planned major infrastructure projects. We expect that the Government budget of expenditure on infrastructure will increase in the forthcoming few years.

Among the 10 major infrastructure projects, we have secured the first site formation works project in Lok Ma Chau Loop, Project W56, where the Government has reserved HK\$20 billion for the first phase development of Hong Kong-Shenzhen Innovation and Technology Park and intends to develop a multi-functional area comprising commercial, community and conservation land users, according to the Hong Kong Government's development plan.

We expect expenditure on infrastructure of Hong Kong Government to continue to grow, which will benefit civil engineering works industry. The Group will capitalise its competitive advantages after listing to secure more projects, and to actively participate in bidding for works of Hong Kong Government to achieve increase revenue. Civil engineering works will continue to be the core business of the Group and we will continue submitting tenders for civil engineering works of larger scale. In the meantime, the Group will also explore various chances in construction industry to create greater value for shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The uses of cash of the Group are mainly for the financing of the operations and working capital requirements. The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers. As at 31 March 2020, the Group had cash and cash equivalents of approximately HK\$172.2 million (2019: approximately HK\$101.2 million) and pledged bank deposit of approximately HK\$8.3 million (2019: approximately HK\$4.1 million). The increase of approximately HK\$71.0 million in cash and cash equivalents was mainly attributable to the net proceeds from the Share Offer. All of the bank balances were placed with banks in Hong Kong and are denominated in Hong Kong dollars. As at 31 March 2020, the Group had not experienced any liquidity problems in settling its payables in the normal course of business.

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 17 March 2020. There has been no change in the capital structure of the Company since the Listing Date and up to the date of this announcement. The capital of the Group only comprises of ordinary shares. As at 31 March 2020, the total number of issued ordinary shares of the Company was 1,000,000,000 of HK\$0.01 each.

GEARING RATIO

As at 31 March 2020, the Group's gearing ratio was approximately 0.5% (2019: approximately 1.1%). The gearing ratio is calculated by dividing lease liabilities (2019: obligations under finance leases) by total equity and expressed as a percentage. With available bank balances and cash, the Directors are of the view that the Group has sufficient liquidity to satisfy the funding requirements.

TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations of the Group were denominated in Hong Kong dollars. There was no exposure to foreign exchange rate fluctuations. As such, no hedging or other arrangements was made by the Group during the years ended 31 March 2020 and 2019.

SIGNIFICANT INVESTMENTS, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 March 2020, the Group did not have any significant investments. Save as those disclosed in the Prospectus, there was no plan for any material investments or other additions of capital assets at the date of this announcement.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 March 2020.

PLEDGE OF ASSETS

As at 31 March 2020, the Group pledged its bank deposits of approximately HK\$8.3 million (2019: approximately HK\$4.1 million) as securities for the Group's banking facilities (including letter of credit, bank overdrafts and performance bonds). As at 31 March 2020, certain motor vehicles with carrying amount of approximately HK\$370,000 (2019: approximately HK\$2.3 million) were held under finance leases.

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any material contingent liabilities.

As at 31 March 2019, a customer of construction contracts undertaken by the Group requires the Group to issue guarantees for the performance of contract works in the form of performance bonds and secured by pledged bank deposits. As at 31 March 2019, the Group had outstanding performance bonds of approximately HK\$1.6 million which has been released during the year ended 31 March 2020.

CAPITAL COMMITMENTS

As at 31 March 2020 and 2019, the Group did not have any material capital commitments.

EMPLOYEE AND REMUNERATION POLICY

As at 31 March 2020, the Group had a total of 274 employees (2019: 303) who were directly employed by the Group in Hong Kong. The staff costs, including Directors' emoluments, of the Group amounted to approximately HK\$86.0 million for the year ended 31 March 2020 (2019: approximately HK\$76.7 million).

The remuneration package the Group offered to the employees includes salary, bonuses and other cash subsidies. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. Share options are also available to the Group's employees. The Group provides various types of trainings to the employees and sponsor the employees to attend various training courses, including those on occupational health and safety in relation to the works. Such training courses include the internal training as well as courses organised by external parties such as the Construction Industry Council and the Occupational Safety and Health Council. The safety officers also provide training to the workers before commencement of works.

USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Share Offer were approximately HK\$79.8 million after deducting the listing expenses of approximately HK\$45.2 million. The net proceeds will be used for the purposes in accordance with the future plans as set out in the Prospectus. Up to 31 March 2020, none of the net proceeds has been utilised.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK\$0.01 per ordinary share for the year ended 31 March 2020 (2019: Nil). Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on 30 September 2020 to shareholders of the Company whose names appear on the register of members of the Company on 14 September 2020.

CLOSURE OF REGISTER OF MEMBERS

To be eligible to attend and vote at the forthcoming annual general meeting

For determining the shareholders' eligibility to attend and vote at the forthcoming annual general meeting of the Company ("AGM") to be held on Friday, 4 September 2020, the register of members of the Company will be closed from Tuesday, 1 September 2020 to Friday, 4 September 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all share transfer documents, accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 31 August 2020.

To qualify for the proposed final dividend

For determining the shareholders' entitlement to the final dividend, the register of members of the Company will be closed from Thursday, 10 September 2020 to Monday, 14 September 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to be qualified for the proposed final dividend, all share transfer documents, accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 9 September 2020.

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

During the period from the Listing Date to 31 March 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

LITIGATION

As at the date of this announcement, saved for two common law personal injury legal proceedings and two employees' compensation legal proceedings, all of the claims brought against the Group have been settled.

The directors of the Company are of the view that the amount to be borne by the Group in respect of the cost of the common law personal injury and employees compensation claims are covered by the relevant insurance taken out by the Group. Therefore, the Group has not made provision to cover the potential liability under the above claims.

CORPORATE GOVERNANCE PRACTICES

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public. In order to comply with the requirements under the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Listing Rules, the Company has adopted various measures to ensure the high standard of corporate governance is maintained.

The Board is of the opinion that the Company has complied with the code provisions of the CG Code throughout the period from the Listing Date to 31 March 2020.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and the Company's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company's securities.

The Company has made specific enquiries to all the Directors and all the Directors have confirmed their compliance with the Model Code during the period from the Listing Date to 31 March 2020. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the period from the Listing Date to 31 March 2020.

SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED

The financial 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 2020 as set out in this announcement have been agreed by the Group's auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this announcement.

AUDIT COMMITTEE

The Company has established the audit committee (the "**Audit Committee**") with written terms of reference in compliance with the Listing Rules. The Audit Committee consists of five members, namely, Mr. Cheung Wai Kwok Gary, Professor Leung Yee Tak, Mr. Zhang Senquan, Mr. Ho Tai Tung and Ms. Tsang Wing Kiu, all being independent non-executive Directors. Mr. Zhang Senquan is the chairman of the Audit Committee.

The Audit Committee has, inter alia, reviewed the consolidated financial statements of the Group for the year ended 31 March 2020, including the accounting principles and practices adopted by the Group, as well as the risk management and internal control systems of the Group.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and on the Company's website (<http://www.sang-hing.com.hk>). The annual report for the year ended 31 March 2020 will be despatched to the shareholders and available on the above websites in due course.

By order of the Board
Sang Hing Holdings (International) Limited
Lai Wai
Chairman and Executive Director

Hong Kong, 26 June 2020

As at the date of this announcement, the executive Directors of the Company are Mr. Lai Wai, Mr. Lai Ying Wah, Mr. Lai Ying Keung; the non-executive Directors of the Company is Mr. Fung Chi Kin; and the independent non-executive Directors of the Company are Mr. Cheung Wai Kwok Gary, Prof. Leung Yee Tak, Mr. Zhang Senquan, Mr. Ho Tai Tung and Ms. Tsang Wing Kiu.