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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 INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

	<b>Six months ended 30 September</b>		
	<b>2020</b>	2019	Decrease
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>	<i>%</i>
	<b>(Unaudited)</b>	(Unaudited)	
Revenue	<b>236,394</b>	272,162	13.1
EBITDA	<b>28,113</b>	34,005	17.3
Profit before tax	<b>23,732</b>	28,803	17.6
Profit for the period attributable to owners of the Company	<b>19,668</b>	24,290	19.0
Earnings per share attributable to owners of the Company			
Basic and diluted ( <i>HK cents</i> )	<b>1.97</b>	3.24	0.4

*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 unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2020, together with the comparative figures for the six months ended 30 September 2019 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 September 2020*

		Six months ended 30 September	
		2020	2019
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<b>Revenue</b>	3	<b>236,394</b>	272,162
Cost of services		<u>(211,858)</u>	<u>(239,224)</u>
<b>Gross profit</b>		<b>24,536</b>	32,938
Other income and net gain	5	<b>10,631</b>	2,533
Administrative and operating expenses		<b>(11,403)</b>	(4,359)
Listing expenses		<u>–</u>	<u>(2,254)</u>
<b>Profit from operations</b>		<b>23,764</b>	28,858
Finance costs	6	<u>(32)</u>	<u>(55)</u>
<b>Profit before tax</b>	7	<b>23,732</b>	28,803
Income tax	8	<u>(4,064)</u>	<u>(4,513)</u>
<b>Profit and total comprehensive income for the period</b>		<u><b>19,668</b></u>	<u>24,290</u>
<b>Profit and total comprehensive income for the period attributable to owners of the Company</b>		<u><u><b>19,668</b></u></u>	<u><u>24,290</u></u>
<b>Earnings per share attributable to owners of the Company</b>			
Basic and diluted ( <i>HK cents</i> )	9	<u><u><b>1.97</b></u></u>	<u><u>3.24</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2020*

		As at <b>30 September</b> <b>2020</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 March 2020 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment	<i>11</i>	<b>37,275</b>	24,426
Right-of-use assets		<b>1,293</b>	1,634
Contract assets	<i>13</i>	<b>650</b>	2,293
Deposit paid		<u>–</u>	<u>1,300</u>
		<b>39,218</b>	<u>29,653</u>
<b>Current assets</b>			
Trade receivables	<i>12</i>	<b>21,035</b>	40,241
Contract assets	<i>13</i>	<b>89,733</b>	47,438
Prepayments, deposits and other receivables		<b>95,057</b>	69,685
Tax recoverable		–	594
Pledged bank deposits		<b>7,702</b>	8,305
Cash and cash equivalents		<u>104,933</u>	<u>172,214</u>
		<b>318,460</b>	<u>338,477</u>
<b>Current liabilities</b>			
Trade and retention payables	<i>14</i>	<b>40,679</b>	55,062
Other payables and accruals		<b>8,450</b>	14,629
Contract liabilities		<b>4,709</b>	4,636
Tax payables		<b>728</b>	–
Lease liabilities		<u>904</u>	<u>1,059</u>
		<b>55,470</b>	<u>75,386</u>

	<b>As at 30 September 2020</b>	As at 31 March 2020
<i>Note</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	(Audited)
<b>Net current assets</b>	<u>262,990</u>	<u>263,091</u>
<b>Total assets less current liabilities</b>	<u>302,208</u>	<u>292,744</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	2,923	2,912
Lease liabilities	<u>235</u>	<u>450</u>
	<u>3,158</u>	<u>3,362</u>
<b>Net assets</b>	<u><u>299,050</u></u>	<u><u>289,382</u></u>
<b>Capital and reserves</b>		
Share capital	10,000	10,000
Reserves	<u>289,050</u>	<u>279,382</u>
<b>Total equity attributable to owners of the Company</b>	<u><u>299,050</u></u>	<u><u>289,382</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2020*

## 1. GENERAL INFORMATION

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 Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 17 March 2020 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 condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company. All values are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosures requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from 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 2020 are the same as those followed in the preparation of the consolidated financial statements for the year ended 31 March 2020.

### Application of amendments to HKFRSs

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

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

The application of the Amendments to References to the Conceptual Framework in HKFRS and the amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

### 3. 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.

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from civil engineering works	<u>236,394</u>	<u>272,162</u>

#### 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 services 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 six months ended 30 September 2020 and 2019 contributing individually over 10% of the Group's revenue is as follows:

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Customer A	230,186	218,228
Customer B	—*	52,108

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

## 5. OTHER INCOME AND NET GAIN

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	362	339
Government and other subsidies	5,577	657
Compensation from insurance	–	447
Income from supplying construction materials, labour and others	410	610
Management fee income	156	477
Gain on modification of lease	–	3
Net gain on disposal of financial assets at fair value through profit or loss	4,089	–
Gain on disposal of property, plant and equipment	20	–
Sundry income	17	–
	<u>10,631</u>	<u>2,533</u>

## 6. FINANCE COSTS

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank overdrafts	2	1
Interest on lease liabilities	30	54
	<u>32</u>	<u>55</u>



## 7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Auditor's remuneration ( <i>note (a)</i> )	<b>600</b>	100
Listing expenses	–	2,254
Depreciation		
– Depreciation of property, plant and equipment	<b>4,008</b>	2,069
– Depreciation of right-of-use assets	<b>341</b>	824
<i>Less:</i> amounts included in cost of services	<b>(3,104)</b>	(2,360)
	<u><b>1,245</b></u>	<u>533</u>
Staff costs (excluding directors' remuneration)		
– Wages, salaries, allowance and bonus	<b>39,779</b>	40,282
– Retirement benefit scheme contributions	<b>1,443</b>	1,483
	<u><b>41,222</b></u>	<u>41,765</u>
<i>Less:</i> amounts included in cost of services	<b>(36,540)</b>	(39,361)
	<u><b>4,682</b></u>	<u>2,404</u>
Allowance for expected credit losses on other receivables	<b>204</b>	–
Short-term lease expenses	<b>215</b>	153
	<u><b>215</b></u>	<u>153</u>

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

## 8. INCOME TAX

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the British Virgin Islands as they are not subject to any tax during the period.

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 period.

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.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Provision for Hong Kong profits tax:		
– Current tax	<b>4,053</b>	4,493
Deferred tax	<b>11</b>	20
	<hr/>	<hr/>
Total tax charge for the period	<b><u>4,064</u></b>	<u>4,513</u>

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period of approximately HK\$19,668,000 (2019: approximately HK\$24,290,000) and the weighted average number of ordinary shares of the Company in issue during the periods is calculated as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
Weight average number of ordinary shares for the purpose of calculating basic earnings per share	<u><b>1,000,000,000</b></u>	<u>750,000,000</u>

The weighted average number of ordinary shares used in the calculation of basic earnings per share for the six months ended 30 September 2019 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 2019.

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

## 10. DIVIDENDS

During the six months ended 30 September 2020, a final dividend of HK\$0.01 per ordinary share, in respect of the year ended 31 March 2020 (2019: Nil) has been declared and paid out of share premium account of the Company.

The Board does not declare the payment of an interim dividend for the six months ended 30 September 2020 (2019: Nil).

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group acquired property, plant and equipment at a total cost of approximately HK\$16,857,000 (2019: approximately HK\$5,195,000).

## 12. TRADE RECEIVABLES

	As at <b>30 September</b> <b>2020</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Trade receivables	<b>21,035</b>	40,241

The average credit period on construction works is 30 days.

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

	As at <b>30 September</b> <b>2020</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 March 2020 <i>HK\$'000</i> (Audited)
0-30 days	<b>21,035</b>	40,241

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. The Group has assessed that the rate of expected credit loss for trade receivables was insignificant, thus, no impairment loss in respect of trade receivables was provided as at 30 September 2020 and 31 March 2020.

### 13. CONTRACT ASSETS

	As at <b>30 September</b> <b>2020</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Unbilled receivables ( <i>note (i)</i> )	77,855	39,542
Retention receivables ( <i>note (ii)</i> )	<u>12,528</u>	<u>10,189</u>
	<b>90,383</b>	49,731
<i>Less:</i> Non-current portion of retention receivables	<u>(650)</u>	<u>(2,293)</u>
	<b><u>89,733</u></b>	<b><u>47,438</u></b>

*note:*

- (i) Unbilled receivables included in contract assets represents the Group's right to receive consideration for work completed and not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.
- (ii) Retention receivables included in contract assets represents the Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over the maintenance period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically after the expiry date of the maintenance period.

**14. TRADE AND RETENTION PAYABLES**

	As at <b>30 September</b> 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Trade payables	33,148	47,312
Retention payables	<u>7,531</u>	<u>7,750</u>
	<u><b>40,679</b></u>	<u><b>55,062</b></u>

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

	As at <b>30 September</b> 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
0-30 days	11,244	14,895
31-60 days	5,936	21,586
61-90 days	4,203	6,025
Over 90 days	<u>11,765</u>	<u>4,806</u>
	<u><b>33,148</b></u>	<u><b>47,312</b></u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND FINANCIAL RESULTS**

The Group is 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 six months ended 30 September 2020, the Group’s revenue was approximately HK\$236.4 million (2019: approximately HK\$272.2 million), a decrease of 13.1% as compared with the same corresponding period in 2019. The profit attributable to owners of the Company for the six months ended 30 September 2020 was approximately HK\$19.7 million while the profit for the six months ended 30 September 2019 was approximately HK\$24.3 million, representing a decrease of 19.0%, which was mainly due to decrease in revenue from civil engineering works of Projects W49 and W52 and increase in administrative expenses during the period.

Analysis of revenue of each project during the six months ended 30 September 2020 was as follows:

<b>Project Code</b>	<b>Type of works</b>	<b>Location</b>	<b>2020 HK\$'000</b>	<b>2019 HK\$'000</b>
<b>On-going projects</b>				
W49	Construction of sewers and sewerage system	Tuen Mun District	<b>6,208</b>	50,608
W52	Remaining works of cycle tracks	North District and Tuen Mun District	<b>39,398</b>	70,679
W54	Temporary construction waste sorting facilities	Sai Kung District and Tuen Mun District	<b>242</b>	18,472
W55	Development of columbarium and infrastructural works	North District	<b>56,295</b>	18,637
W56	Land decontamination and advance engineering works	North District	<b>100,177</b>	111,940
W57	Development of Long Valley Nature Park	North District	<b>33,219</b>	–
<b>Projects completed or substantially completed</b>				
W46	Construction of sewage pumping station and associated sewage works	Tuen Mun District	<b>855</b>	–
W53	Construction of taxiway and connection works	Island District	–	1,826
Total revenue			<b><u>236,394</u></b>	<b><u>272,162</u></b>



During the six months ended 30 September 2020, we recognised revenue from 7 projects in total, of which one project was completed. In December 2019, we were awarded a new site formation works project, Project W57, by CEDD. The revenue for the six months ended 30 September 2020 was decreased as compared with the same corresponding period in last year due to decrease in revenue from Project W49 and W52 in which work progress of Project W49 was substantially completed during the period.

The gross profit margin for the six months ended 30 September 2020 was 10.3% (2019: 12.1%). Decrease in gross profit margin as compared with the same corresponding period in last year was due to lower profit margin works and orders performed by Projects W49, W52 and W55.

Other income and net gain for the six months ended 30 September 2020 was amounting to approximately HK\$10.6 million (2019: approximately HK\$2.5 million), representing an increase of 319.7% as compared with the same corresponding period in last year, which was due to increase in government and other subsidies amounting to approximately HK\$5.6 million and net gain on disposals of financial assets at fair value through profit or loss amounting to approximately HK\$4.1 million. During the period, government and other subsidies were mainly received from Employment Support Scheme and net gain on disposals of financial assets at fair value through profit or loss was derived from trading of equity securities listed in Hong Kong. As at 30 September 2020, the Group did not hold any financial assets at fair value through profit or loss or available-for-sale investments.

Administrative and operating expenses for the six months ended 30 September 2020 were amounting to approximately HK\$11.4 million (2019: approximately HK\$4.4 million), representing an increase of 161.6% as compared with the same corresponding period in last year, which was mainly due to increase in staff costs and other listing related expenses. During the period, increase in staff costs was mainly due to increase in director's remunerations and payment of one-off bonuses to our staff.

As at 30 September 2020, prepayments, deposit and other receivables mainly represented amounts paid for insurance and subcontracting fee prepayments, deposits for material purchases, deposits for rental and utilities, deposits for acquisition of plant and machinery and other receivables. During the period, prepayments, deposits and other receivables increased by HK\$25.3 million which was mainly due to increase in subcontracting fee prepayments and deposits for acquisition of plant and machinery. Since the progress of the Project W55 and W56 were accelerated in the second quarter of 2020, its related contra charges paid on behalf of the subcontractors and subcontracting fee prepayments were increased in line with the accelerated progress.

## **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 cautiously optimistic expect expenditure on infrastructure of the 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 the Hong Kong Government to achieve increase revenue. In additions, we will continue submitting tenders for civil engineering works in order to replenish the revenue from the substantial completed or completed projects. 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 flows and banking facilities provided by its principal bankers. As at 30 September 2020, the Group had cash and cash equivalents of approximately HK\$104.9 million (31 March 2020: approximately HK\$172.2 million) and pledged bank deposits of approximately HK\$7.7 million (31 March 2020: approximately HK\$8.3 million). The decrease of approximately HK\$67.3 million in cash and cash equivalents was mainly attributable to the dividend paid of HK\$10.0 million, the acquisition of property, plant and equipment of approximately HK\$16.9 million and an increase in other receivables of approximately HK\$30.7 million primarily due to contra charges paid on behalf of and advance payment to the subcontractors. All of the bank balances were placed with banks in Hong Kong and are denominated in Hong Kong dollars. As at 30 September 2020, the Group had not experienced any liquidity problems in settling its payables in the normal course of business.

There has been no change in the capital structure of the Company during the six months ended 30 September 2020. The capital of the Company only comprises of ordinary shares. As at 30 September 2020, there was a total of 1,000,000,000 shares (31 March 2020: 1,000,000,000 shares) in issue.

### **GEARING RATIO**

As at 30 September 2020, the Group's gearing ratio was approximately 0.4% (31 March 2020: approximately 0.5%). The gearing ratio is calculated by dividing lease liabilities 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 six months ended 30 September 2020 and 2019.

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

As at 30 September 2020, the Group did not have any significant investments. Save as those disclosed in the prospectus of the Company dated 28 February 2020 (the “**Prospectus**”), the Group did not have other future plans for material investments or additions of capital assets.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

During the six months ended 30 September 2020, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

## **PLEDGE OF ASSETS**

As at 30 September 2020, the banking facilities of the Group were secured by its bank deposits of approximately HK\$7.7 million (31 March 2020: approximately HK\$8.3 million) and corporate guarantees executed by the Company. As at 30 September 2020, certain motor vehicles with carrying amounts of approximately HK\$289,000 (31 March 2020: approximately HK\$370,000) were held under finance leases.

## **CONTINGENT LIABILITIES**

As at 30 September 2020, the Group did not have any material contingent liabilities.

## **CAPITAL COMMITMENTS**

As at 30 September 2020, the Group did not have any material capital commitments.

## **EMPLOYEE AND REMUNERATION POLICY**

As at 30 September 2020, the Group had a total of 265 employees (31 March 2020: 274) who were directly employed by the Group in Hong Kong. The staff costs, including Directors' emoluments, of the Group amounted to approximately HK\$43.2 million for the six months ended 30 September 2020 (2019: approximately HK\$42.1 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**

The net proceeds received by the Company from the placing and public offer of the Company's shares in March 2020 were approximately HK\$79.8 million after deducting the listing expenses of approximately HK\$45.2 million. As at 30 September 2020, the Group has utilised approximately HK\$20.9 million of the net proceeds. The unutilised portion of the net proceeds is placed in licensed banks in Hong Kong and will be utilised as stated in the Company's prospectus.

As at 30 September 2020, the net proceeds had been utilised as follow:

<b>Intended use of net proceeds as stated in the Prospectus</b>	<b>Net proceeds available <i>HK\$ million</i></b>	<b>Utilised amount as at 30 September 2020 <i>HK\$ million</i></b>	<b>Unutilised amount as at 30 September 2020 <i>HK\$ million</i></b>
Acquisition of additional plant and machinery	58.3	16.5	41.8
Recruitment and retiring additional staff	3.4	0.5	2.9
Costs for upgrading information technology system	2.9	1.0	1.9
Additional working capital	15.2	15.2	–
<b>Total</b>	<b>79.8</b>	<b>33.2</b>	<b>46.6</b>

As disclosed above, the actual application of the net proceeds was slower than expected and such delay was mainly due to (i) the impact of the COVID-19 pandemic, which has caused delays in certain of our ongoing projects; (ii) delay of the projects due to inclement weather; (iii) delay in projects due to clients design changes and/or order in variations; (iv) the difficulty in recruiting suitable candidates; and (v) the delay in upgrading of the Group’s information technology system. The balance of the unutilised proceeds is expected to be utilised in the coming two financial years.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has complied with all the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange throughout the six months ended 30 September 2020, except for the following deviation:

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of the shareholders. Mr. Zhang Senquan, the independent non-executive Director, was unable to attend the annual general meeting of the Company held on 4 September 2020 due to sickness.

## **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 six months ended 30 September 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 six months ended 30 September 2020.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the six months ended 30 September 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

## **INTERIM DIVIDEND**

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

## **AUDIT COMMITTEE**

The Audit Committee consists of five members, namely, Mr. Cheung Wai Kwok Gary, Prof. 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 reviewed with the management the Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2020. The Audit Committee is of the view that the applicable accounting standards and requirements have been complied with by the Company and that appropriate disclosure have been made.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results 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 interim report of the Company for the six months ended 30 September 2020 will be despatched to the shareholders of the Company and will be 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, 27 November 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 Director 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.*