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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 2022**

FINANCIAL HIGHLIGHTS

	Six months ended 30 September		
	2022	2021	Decrease
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	(Unaudited)	(Unaudited)	
Revenue	140,464	157,877	11.0
EBITDA	7,385	15,334	51.8
Profit before tax	2,827	9,823	71.2
Profit for the period attributable to owners of the Company	2,356	8,467	72.2
Earnings per share attributable to owners of the Company			
Basic and diluted (<i>HK cents</i>)	0.24	0.85	71.8

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 2022, together with the comparative figures for the six months ended 30 September 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

		Six months ended	
		30 September	
		2022	2021
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	140,464	157,877
Cost of services		<u>(129,925)</u>	<u>(138,556)</u>
Gross profit		10,539	19,321
Other income and other gain or loss, net	5	3,658	1,601
Administrative and operating expenses		<u>(11,329)</u>	<u>(11,073)</u>
Profit from operations		2,868	9,849
Finance costs	6	<u>(41)</u>	<u>(26)</u>
Profit before tax	7	2,827	9,823
Income tax	8	<u>(471)</u>	<u>(1,356)</u>
Profit and total comprehensive income for the period		<u>2,356</u>	<u>8,467</u>
Profit and total comprehensive income for the period attributable to owners of the Company		<u><u>2,356</u></u>	<u><u>8,467</u></u>
Earnings per share attributable to owners of the Company			
Basic and diluted (<i>HK cents</i>)	9	<u><u>0.24</u></u>	<u><u>0.85</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		As at 30 September 2022	As at 31 March 2022
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	<i>11</i>	20,353	25,040
Right-of-use assets		1,649	1,041
Contract assets	<i>13</i>	2,385	2,736
		<u>24,387</u>	<u>28,817</u>
Current assets			
Trade receivables	<i>12</i>	51,943	35,658
Contract assets	<i>13</i>	90,525	160,647
Prepayments, deposits and other receivables		152,221	87,622
Financial assets at fair value through profit or loss		4,558	7,722
Pledged bank deposits		4,140	6,639
Cash and cash equivalents		28,845	53,448
		<u>332,232</u>	<u>351,736</u>
Current liabilities			
Trade and retention payables	<i>14</i>	21,621	35,981
Other payables and accruals		7,033	7,253
Tax payable		611	5,900
Contract liabilities		1,256	7,579
Lease liabilities		735	575
		<u>31,256</u>	<u>57,288</u>

	As at 30 September 2022 <i>Notes</i> HK\$'000 (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Net current assets	<u>300,976</u>	<u>294,448</u>
Total assets less current liabilities	<u>325,363</u>	<u>323,265</u>
Non-current liabilities		
Deferred tax liabilities	4,483	5,109
Lease liabilities	<u>743</u>	<u>375</u>
	<u>5,226</u>	<u>5,484</u>
Net assets	<u><u>320,137</u></u>	<u><u>317,781</u></u>
Capital and reserves		
Share capital	10,000	10,000
Reserves	<u>310,137</u>	<u>307,781</u>
Total equity attributable to owners of the Company	<u><u>320,137</u></u>	<u><u>317,781</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Act 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 except for certain financial instruments which are measured at fair values at the end of each reporting period.

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 2022 are the same as those followed in the preparation of the consolidated financial statements for the year ended 31 March 2022.

Application of new and amendments to HKFRSs

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

Amendment 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

The application of 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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from civil engineering works	140,464	157,877

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 construction 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 2022 and 2021 contributing individually over 10% of the Group's revenue is as follows:

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Customer A	124,338	143,251
Customer B	<u>16,126</u>	<u>N/A*</u>

* Revenue from Customer B does not contribute over 10% of the total revenue of the Group for the six months ended 30 September 2021.

5. OTHER INCOME AND OTHER GAIN OR LOSS, NET

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	3	30
Government and other subsidies (<i>note (i)</i>)	2,716	363
Management fee income	1,436	128
Net (loss)/gain on disposal of financial assets at fair value through profit or loss	(573)	709
Loss on disposal of property, plant and equipment	(60)	(5)
Dividend income from listed equity securities	124	340
Sundry income	12	36
	<u>3,658</u>	<u>1,601</u>

Note:

- (i) During the six months ended 30 September 2022, the Group recognised government subsidies of approximately HK\$2,514,000 (six months ended 30 September 2021: HK\$Nil) in respect of COVID-19 related subsidies, of which approximately HK\$2,336,000 (six months ended 30 September 2021: HK\$Nil) related to Employment Support Scheme and approximately HK\$178,000 (six months ended 30 September 2021: HK\$Nil) was related to the Anti-Epidemic Fund Scheme provided by the Government of the Hong Kong Special Administrative Region (“**Government**”). The amount of approximately HK\$23,000 (six months ended 30 September 2021: HK\$Nil) related to other subsidy provided by Construction Industry Council. The amount of approximately HK\$179,000 (six months ended 30 September 2021: HK\$363,000) related to other subsidy under EX-Gratia Payment Scheme provided by the Government. There are no unfulfilled conditions or contingencies relating to these subsidies.

6. FINANCE COSTS

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank overdrafts	13	7
Interest on lease liabilities	28	19
	<u>41</u>	<u>26</u>

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Auditor's remuneration	250	850
Depreciation		
– Depreciation of property, plant and equipment	4,165	5,054
– Depreciation of right-of-use assets	352	431
<i>Less: amounts included in cost of services</i>	<u>(3,821)</u>	<u>(4,407)</u>
	<u>696</u>	<u>1,078</u>
Staff costs (excluding directors' remuneration)		
– Wages, salaries, allowance and bonus	31,080	33,625
– Retirement benefits schemes contributions	1,026	1,202
	<u>32,106</u>	<u>34,827</u>
<i>Less: amounts included in cost of services</i>	<u>(27,328)</u>	<u>(30,621)</u>
	<u>4,778</u>	<u>4,206</u>
Allowance for expected credit losses on financial assets at amortised cost	526	144
Short-term lease expenses	449	255
Unrealised loss on financial assets at fair value through profit or loss	<u>165</u>	<u>872</u>

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% (six months ended 30 September 2021: 16.5%) of the estimated assessable profits arising in Hong Kong during the period.

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%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision for Hong Kong profits tax:		
– Current tax	722	2,099
Deferred taxation	(251)	(743)
	<hr/>	<hr/>
Tax charge for the period	<u>471</u>	<u>1,356</u>

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period of approximately HK\$2,356,000 (six months ended 30 September 2021: approximately HK\$8,467,000) and the weighted average number of ordinary shares of the Company in issue during the periods is calculated as follows:

	Six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
Weight average number of ordinary shares for the purpose of calculating basic earnings per share	<u><u>1,000,000,000</u></u>	<u><u>1,000,000,000</u></u>

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

10. DIVIDENDS

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

11. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment at a total cost of approximately HK\$2,694,000 (six months ended 30 September 2021: approximately HK\$2,214,000).

12. TRADE RECEIVABLES

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Trade receivables	<u>51,943</u>	<u>35,658</u>

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. The analysis below is net of allowance for expected credit losses:

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
0-30 days	<u>51,943</u>	<u>35,658</u>

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

13. CONTRACT ASSETS

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Unbilled receivables (<i>note (i)</i>)	83,250	153,649
Retention receivables (<i>note (ii)</i>)	9,660	9,734
	92,910	163,383
<i>Less: non-current portion of retention receivables</i>	(2,385)	(2,736)
	90,525	160,647

notes:

- (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 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 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Trade payables	17,580	27,512
Retention payables	4,041	8,469
	21,621	35,981

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 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
0-30 days	7,957	11,070
31-60 days	2,122	2,557
61-90 days	1,636	3,111
Over 90 days	5,865	10,774
	17,580	27,512

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\$400 million.

For the six months ended 30 September 2022, the Group’s revenue was approximately HK\$140.5 million (2021: approximately HK\$157.9 million), a decrease of 11.0% as compared with the same corresponding period in 2021. The profit attributable to owners of the Company for the six months ended 30 September 2022 was approximately HK\$2.4 million while the profit for the six months ended 30 September 2021 was approximately HK\$8.5 million, representing a decrease of 71.8%, which was mainly due to decrease in revenue from civil engineering works of Projects W52, W55 and W56 and decrease in gross profit margin due to increase in fuel costs, raw material costs, direct wages and subcontracting costs.

Analysis of revenue of each project during the six months ended 30 September 2022 was as follows:

Project Code	Type of works	Location	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
On-going projects				
W55	Development of columbarium and infrastructural works	North District	23,176	52,386
W57	Development of Long Valley Nature Park	North District	51,066	26,260
W58	Construction of sewers and sewerage system	Northern Tuen Mun	16,126	14,626
W59	Site formation and infrastructure works for public housing development	Kam Tin South, Yuen Long	12,761	13,506
W60	Temporary construction waste sorting facilities	Tseung Kwan O and Tuen Mun	30,167	–
Projects completed or substantially completed				
W52	Remaining works of cycle tracks	North District and Tuen Mun District	7,168	15,314
W56	Land decontamination and advance engineering works	North District	–	35,785
Total revenue			<u>140,464</u>	<u>157,877</u>

During the six months ended 30 September 2022, we recognised revenue from 6 projects in total, of which one project was completed. The revenue for the six months ended 30 September 2022 was decreased as compared with the same corresponding period in last year due to decrease in revenue from Projects W52, W55 and W56 in which work progress of Project W52 and W56 was substantially completed during the period.

The gross profit margin for the six months ended 30 September 2022 was 7.5% (2021: 12.2%). Decrease in gross profit margin as compared with the same corresponding period in last year was due to increase in fuel costs, raw material costs, direct wages and subcontracting costs.

Other income and other gain or loss, net for the six months ended 30 September 2022 was amounting to approximately HK\$3.7 million (2021: approximately HK\$1.6 million), representing an increase of 128.5% as compared with the same corresponding period in last year, which was due to increase in government and other subsidies amounting to approximately HK\$2.4 million and management fee income amounting to approximately HK\$1.3 million. During the period, government and other subsidies were mainly received from Employment Support Scheme. As at 30 September 2022, the Group holds financial assets at fair value through profit or loss amounting to approximately HK\$4.6 million (31 March 2022: approximately HK\$7.7 million).

Administrative and operating expenses for the six months ended 30 September 2022 were amounting to approximately HK\$11.3 million (2021: approximately HK\$11.1 million), representing a slightly increase of 2.3% as compared with the same corresponding period in last year.

As at 30 September 2022, prepayments, deposits and other receivables mainly represented amounts paid for insurance and subcontracting fee prepayments, deposits for material purchases, deposits for rental and utilities and other receivables. During the period, prepayments, deposits and other receivables increased by approximately HK\$64.6 million which was mainly due to increase in prepayments, deposit for raw material purchases and other receivables regarding to contra charge due from subcontractors.

OUTLOOK

We expect that the Russia-Ukraine war will continue, the global financial and energy markets will remain volatile and the prices of energy and raw materials will remain high. Geopolitical uncertainties may result in the disruption of the raw material supply chain, which in turn leads to a shortage of supply. Despite the Group's business suffering fewer adverse effects than other industries, we expect our operating cost to remain high and the price will continue to increase in the coming year. The Group will take all reasonable measures to save energy and enhance the efficiency of resource utilisation, so as to control costs.

Looking forward to the second half of the year 2022/2023, the Group will continue to take part in tenders for projects from various government departments more rigorously and actively. Due to the fierce competition in the market and the increased technical requirements of the clients for bidding projects, it has become increasingly more difficult to successfully win bids for projects. We will enhance the Group's bidding advantages and capabilities and strive for more successful bids for projects.

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, 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 2022, the Group had cash and cash equivalents of approximately HK\$28.8 million (31 March 2022: approximately HK\$53.4 million) and pledged bank deposits of approximately HK\$4.1 million (31 March 2022: approximately HK\$6.6 million). The decrease of approximately HK\$24.6 million in cash and cash equivalents was mainly attributable to an increase in trade receivables and prepayments, deposits and other receivables. All of the bank balances were placed with banks in Hong Kong and are denominated in Hong Kong dollars. As at 30 September 2022, the Group had not experienced any liquidity problems in settling its payables in the normal course of business.

Additionally, as at 30 September 2022, the Group had unutilised banking facilities amounting to approximately HK\$76.5 million (31 March 2022: approximately HK\$76.5 million).

There has been no change in the capital structure of the Company during the six months ended 30 September 2022. The capital of the Company only comprises of ordinary shares. As at 30 September 2022, there was a total of 1,000,000,000 shares (31 March 2022: 1,000,000,000 shares) in issue.

GEARING RATIO

As at 30 September 2022, the Group's gearing ratio was approximately 0.5% (31 March 2022: approximately 0.3%). 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 2022 and 2021.

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

As at 30 September 2022, 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 2022, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

PLEDGE OF ASSETS

As at 30 September 2022, the Group pledged its bank deposits of approximately HK\$4.1 million (31 March 2022: approximately HK\$6.6 million) as securities for the Group’s banking facilities (including letter of credit, bank overdrafts and performance bonds). As at 30 September 2022, certain motor vehicles with carrying amounts of approximately HK\$1.5 million (31 March 2022: approximately HK\$0.8 million) were held under finance leases.

CONTINGENT LIABILITIES

As at 30 September 2022, the Group did not have any material contingent liabilities.

CAPITAL COMMITMENTS

As at 30 September 2022, the Group did not have any material capital commitments.

EVENTS AFTER REPORTING PERIOD

No major subsequent events have occurred since the end of the reporting period and up to the date of this announcement.

EMPLOYEE AND REMUNERATION POLICY

As at 30 September 2022, the Group had a total of 160 employees (31 March 2022: 189) who were directly employed by the Group in Hong Kong. The staff costs, including Directors' emoluments, of the Group amounted to approximately HK\$32.7 million for the six months ended 30 September 2022 (2021: approximately HK\$35.5 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. As at 30 September 2022, the Group has utilised approximately HK\$74.0 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 Prospectus.

As at 30 September 2022, the net proceeds had been utilised as follows:

Intended use of net proceeds as stated in the Prospectus	Net proceeds available <i>HK\$ million</i>	Utilised amount as at 30 September 2022 <i>HK\$ million</i>	Unutilised amount as at 30 September 2022 <i>HK\$ million</i>
Acquisition of additional plant and machinery	58.3	52.5	5.8
Recruitment and retiring additional staff	3.4	3.4	–
Costs for upgrading information technology system	2.9	2.9	–
Additional working capital	15.2	15.2	–
Total	79.8	74.0	5.8

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; and (iii) delay in projects due to clients design changes and/or order in variations. The balance of the unutilised proceeds is expected to be utilised in the financial year ended 31 March 2023.

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 2022, except for the following deviation:

Under code provision C.1.6 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. Ms. Tsang Wing Kiu, the independent non-executive Director, was unable to attend the annual general meeting of the Company held on 9 September 2022 due to personal reasons.

Under code provision D.1.2 of the CG Code, the management should provide all members of the Board with monthly updates giving balanced and understandable assessment of the Company’s performance, position and prospects in sufficient details. During the six months ended 30 September 2022, the management has provided all members of the Board updates on any material changes to the performance, position and prospects of the Company and sufficient information for matters brought before the Board.

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 2022. 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 2022.

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

During the six months ended 30 September 2022, 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 2022 (2021: Nil).

AUDIT COMMITTEE

The audit committee of the Board (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 2022. 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 2022 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, 28 November 2022

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.