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SUN KONG HOLDINGS LIMITED **申港控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8631)

FURTHER CHANGE IN USE OF PROCEEDS

Reference is made to (i) the prospectus of Sun Kong Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) dated 21 December 2018 (the “Prospectus”) in respect of the listing (the “Listing”) of the shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”); (ii) the announcement of the Company dated 3 July 2020 and the Supplemental announcement of the Company dated 18 August 2020 (the “UOP Announcements”) in relation to the change in use of net proceeds from the Listing (the “Net Proceeds”); (iii) the annual report of the Company for the year ended 31 March 2022 published on 29 June 2022; (iv) the third quarterly report (the “Third Quarterly Report 2022/2023”) of the Company for the nine months ended 31 December 2022 published on 9 February 2023. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

CHANGE IN USE OF PROCEEDS AS DISCLOSED IN THE UOP ANNOUNCEMENTS

The original intended use of the Net Proceeds, which amounted to approximately HK\$34.8 million after deducting underwriting commission and other listing expenses was disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

As disclosed in the UOP Announcements, the Board has resolved to re-allocate the unutilised net proceeds of approximately HK\$10.8 million from the original intended use to general working capital, as opposed to earmarking the said portion of unutilised net proceeds specifically for hiring more manpower.

As at the date of this announcement, the Company utilized approximately HK\$29.6 million, accounting for approximately 85.1% of the Net Proceeds.

FURTHER CHANGE IN USE OF PROCEEDS

For the reasons set out in the paragraph headed “Reasons for and Benefits of the Change in Use of Proceeds” below in this announcement, the Board has resolved to further re-allocate the Net proceeds as follows:

	Intended allocation of Net Proceeds as set forth in the Prospectus <i>HK\$ million</i>	The change in use of Net Proceeds as set forth in the UOP Announcements <i>HK\$ million</i>	Actual use of Net Proceeds up to the date of this announcement <i>HK\$ million</i>	Unused total Net Proceeds up to the date of this announcement <i>HK\$ million</i>	The change in use of Net Proceeds as set forth in this announcement <i>HK\$ million</i>	Unused total Net Proceeds after the change in use of Net Proceeds as set forth in this announcement <i>HK\$ million</i>	Expected timeline for fully utilising the unutilised amount as at the date of this announcement <i>(Note 1)</i>
Purchase of diesel tank wagons	15.0	–	(12.4)	2.6	(2.6)	–	N/A
Expand manpower	12.5	(10.8)	(1.7)	–	–	–	N/A
Upgrade information technology systems	5.0	–	(2.4)	2.6	–	2.6	By 31 March 2024 <i>(Note 2)</i>
Working capital	2.3	10.8	(13.1)	–	2.6	2.6	By 31 March 2024
Total	34.8		29.6	5.2		5.2	

Note:

- The expected timeline for utilising the unutilised Net Proceeds is based on the best estimation of the future market conditions made by the Group. It may be subject to change based on the current and future development of market conditions.
- The Group planned to utilize approximately HK\$5.0 million of the Net Proceeds for upgrading the information technology systems of the Group. Up to the date of this announcement, the Group has engaged vendor in upgrading the Group’s information technology systems and the upgrade is expected to be completed by 31 March 2024. As such the expected timeline as set out in the Quarterly Report 2022/2023 was extended to 31 March 2024. Nonetheless, the Company will continue to adopt a prudent approach for such purpose and will continue to apply the Net Proceeds in accordance with the proceeds allocation as set out in the Prospectus. Save as disclosed above, the Directors are not aware of any material change to the implementation plans in relation to the Net Proceeds as stated in the Prospectus.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

As the global economy is widely expected to slow down sharply this year and major economies are grappling with risks of recession, the economic activities experienced a slow recovery from the COVID-19 pandemic. The disruption of supply and logistic chains between Hong Kong and PRC has been improved after the re-opening of China border. However, the diesel demand in Hong Kong has been limited and cannot retrieve to the level before the outbreak of COVID-19 during the year ended 31 March 2022 and up to the date of this announcement.

Up to the date of this announcement, the Group has already utilized approximately HK\$12.4 million of the Net Proceeds in purchasing five diesel tank wagons. The Group currently has a vehicle fleet of seven diesel tank wagons in service including a standby diesel tank wagon, and such vehicle fleet is supported by five full-time drivers. In this regard, the Group consider that the existing diesel tank wagon capacity is sufficient to support the Group's current business operation.

As at the date of this announcement, the Group has fully utilised the amount of net proceeds in the sum of approximately HK\$13.1 million allocated as general working capital. The Directors are of the view that it will be in the interest of the Group to re-allocate a certain portion of the unutilised net proceeds from the original intended use to general working capital, as opposed to earmarking the said portion of unutilised net proceeds specifically for purchase diesel tank wagon. The re-allocation of a certain portion of the unutilised net proceeds as mentioned above enables the Group to maintain an operation model with higher flexibility, such that the Group would be able to adapt to any sudden changes in the market more effectively during this critical period.

The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company will continuously assess the plans for the use of the Net Proceeds as set out in the Prospectus, the annual reports and interim reports of the Company, and may revise or amend such plans where necessary, to cope with the changing market conditions and strive for better business performance for the Group.

The Board confirms that there is no material change in the business nature of the Group as set out in the Prospectus and considered that the proposed change in the use of the Net Proceeds will not have any material adverse impact on the operations of the Group and is in the best interests of the Company and its shareholders as a whole.

By Order of the Board
Sun Kong Holdings Limited
Law Ming Yik
Chairman and executive Director

Hong Kong, 23 March 2023

As at the date of this announcement, the executive Directors of the Company are Mr. LAW Ming Yik (chairman) and Mr. LI Isaiah (chief executive officer); and the independent non-executive Directors of the Company are Mr. FENN David, Mr. WONG Ka Chun Matthew and Mr. CHAN Ting Fung.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on GEM's website at www.hkgem.com on the "Latest Listed Company Information" page for at least 7 days from the date of its posting. This announcement will also be published on the Company's website at www.skhl.com.hk.