Shun Wo Group Holdings Limited
汛和集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1591)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

The board (the "**Board**") of directors (the "**Directors**") of Shun Wo Group Holdings Limited (the "**Company**") is pleased to present the audited annual consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2019 (the "**Review Year**"), together with the comparative figures for the corresponding year ended 31 March 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*3*	**231,531**	131,781
Direct costs		**(235,802)**	(106,247)
Gross (loss)/profit		**(4,271)**	25,534
Other income, other gains and losses	*3*	**678**	2,287
Administrative and other operating expenses		**(22,519)**	(21,042)
Net impairment losses on financial assets and contract assets		**(38)**	–
Finance costs	*4*	**(25)**	(218)
(Loss)/profit before income tax	*5*	**(26,175)**	6,561
Income tax credit/(expense)	*6*	**1,043**	(999)
(Loss)/profit and total comprehensive (expense)/income for the year attributable to owners of the Company		**(25,132)**	5,562
(Loss)/earnings per share attributable to owners of the Company			
— Basic and diluted (loss)/earnings per share (HK cents)	*7*	**(0.63)**	0.14

Details of dividends are disclosed in note 8.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**12,431**	19,882
Current assets			
Contract assets		**47,674**	–
Gross amounts due from customers for contract work		**–**	15,445
Trade and other receivables	9	**31,074**	54,113
Bank deposits		**2,829**	22,812
Current income tax recoverable		**1,641**	473
Cash and cash equivalents		**66,036**	73,038
		149,254	165,881
Total assets		**161,685**	185,763
EQUITY			
Equity attributable to owners of the Company			
Capital and reserves			
Share capital	10	**40,000**	40,000
Reserves		**90,937**	122,371
Total equity		**130,937**	162,371
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**856**	2,143
Current liabilities			
Trade and other payables	11	**29,892**	18,551
Finance lease liabilities		**–**	2,698
		29,892	21,249
Total liabilities		**30,748**	23,392
Total equity and liabilities		**161,685**	185,763
Net current assets		**119,362**	144,632
Total assets less current liabilities		**131,793**	164,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company is an investment holding company. The Group is principally engaged in undertaking foundation works in Hong Kong.

The Company was incorporated in the Cayman Islands on 3 May 2016 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 28 September 2016.

As at 31 March 2019, its parent and ultimate holding company is May City Holdings Limited ("**May City**"), a company incorporated in the British Virgin Islands (the "**BVI**") and owned as to 40% by Mr. Wong Yan Hung ("**Mr. YH Wong**"), 30% by Mr. Wong Tony Yee Pong ("**Mr. Tony Wong**") and 30% by Mr. Lai Kwok Fai ("**Mr. Lai**").

The address of the registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and the principal place of business of the Company is 26th Floor, Lancashire Centre, 361 Shaukeiwan Road, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except as otherwise stated in the accounting policies of the Group.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group.

2.2 Changes in accounting policies and disclosures

(i) New and amended standards adopted by the Group

The Group has applied the following new and amended standards, improvements and interpretation for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

Except as described below, the application of the new and amendments to HKFRSs and an interpretation 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 consolidated financial statements.

(ii) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

HKFRS 15, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Revenue from provision of foundation work services which arise from contracts with customers

Information about the Group's performance obligations resulting from application of HKFRS 15 is disclosed in the consolidated financial statements.

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impact of transition to HKFRS 15 on retained earnings at 1 April 2018.

	HK$'000
Retained earnings	
Recognition of construction costs	6,692
Tax effect	(1,030)
Impact at 1 April 2018	5,662

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 31 March 2018** *HK$'000*	**Impact of HKFRS 15** *HK$'000*	**Carrying amounts under HKFRS 15 at 1 April 2018*** *HK$'000*
Current assets				
Contract assets	*(b)&(c)*	–	21,540	21,540
Gross amounts due from customers for contract work	*(a)&(c)*	15,445	(15,445)	–
Trade and other receivables	*(b)*	54,113	(12,787)	41,326
Current income tax recoverable	*(a)*	473	888	1,361
Non-current liabilities				
Deferred tax liabilities	*(a)*	2,143	(142)	2,001
Capital and reserves				
Retained earnings		65,548	(5,662)	59,886

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes:

(a) In relation to construction contracts previously accounted under HKAS 11, the Group continues to apply output method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. Under HKAS 11, contract costs are recognised as expenses by reference to the stage of completion, which is measured by reference to work performed to date as a percentage of total contract value. Under HKFRS 15, costs that related to satisfied performance obligations are expensed as incurred. Construction costs of approximately HK$6,692,000 recognised in gross amounts due from customers for contract work were adjusted to retained earnings. The related tax effect of approximately HK$1,030,000 was recognised in opening retained earnings in which approximately HK$888,000 and HK$142,000 was recognised in current income tax recoverable and deferred tax liabilities, respectively.

(b) At the date of initial application, retention receivables of approximately HK$12,787,000 arising from the construction contracts was reclassified from trade and other receivables to contract assets.

(c) At the date of initial application, amount of approximately HK$8,753,000 arising from the construction contracts are for work completed and not billed because the rights are conditioned on factors other than passage of time, and such amount was reclassified from gross amounts due from customers for contract work to contract assets.

(iii) HKFRS 9 Financial Instruments — Impact of adoption

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and lease receivables and (3) general hedge accounting. The Group has applied HKFRS 9 in accordance with the transition provision set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained earnings, without restating comparative information. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement ("**HKAS 39**").

Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("**FVOCI**") and at fair value through profit or loss. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at fair value through profit or loss. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, the classification for all of the Group's financial assets, including trade and other receivables, bank deposits and cash and cash equivalents, and financial liabilities, including trade and other payables and finance lease liabilities, measured at amortised cost remain the same. The carrying amounts for all financial assets and financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. Except for those which had been determined as credit impaired under HKAS 39, ECL on these assets are assessed individually and/or collectively using a provision matrix with appropriate grouping based on same risk characteristics.

ECL for other financial assets at amortised cost, including other receivables and bank balances, are assessed on 12-month ECL ("**12m ECL**") basis as there have been no significant increase in credit risk since initial recognition.

As at 1 April 2018, additional credit loss allowance of approximately HK$742,000 has been recognised against retained earnings. The additional loss allowance is charged against the respective asset.

All loss allowance as at 31 March 2018 reconciled to the opening loss allowances as at 1 April 2018 are as follows:

	Contract assets	**Trade and other receivables**
	HK$'000	*HK$'000*
At 31 March 2018 — HKAS 39	–	–
Amount remeasured through opening retained earnings	218	524
At 1 April 2018 — HKFRS 9	218	524

Summary of effects arising from initial application of HKFRS 9

The following table summarises the impacts of transition to HKFRS 9 on retained earnings at 1 April 2018.

	HK$'000
Retained earnings	
Recognition of impairment losses	742
Tax effect	(102)
Impact at 1 April 2018	640

(iv) Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 March 2018 As originally presented	**HKFRS 9**	**HKFRS 15**	**1 April 2018 Restated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets				
Contract assets	–	(218)	21,540	21,322
Gross amounts due from customers for contract work	15,445	–	(15,445)	–
Trade and other receivables	54,113	(524)	(12,787)	40,802
Current income tax recoverable	473	–	888	1,361
Non-current liabilities				
Deferred tax liabilities	2,143	(102)	(142)	1,899
Reserves				
Retained earnings	65,548	(640)	(5,662)	59,246

(v) ***New and amended standards and interpretations in issue but not yet effective and not been early adopted***

A number of new and amended standards and interpretations have been published that are not mandatory for the year ended 31 March 2019 and have not been early adopted by the Group.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Venture[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensations[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

[1] Effective for annual periods beginning on or after 1 January 2019.
[2] Effective for annual periods beginning on or after 1 January 2020.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2021.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to consolidated financial statements.

Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect 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 applying HKAS 17 and HK(IFRIC) — Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. REVENUE, OTHER INCOME, OTHER GAINS AND LOSSES AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents construction contract receipts in the ordinary course of business. Revenue and other income, other gains and losses recognised during the reporting period are as follow:

	2019	2018
	HK$'000	*HK$'000*
Revenue		
Main contracting	**46,019**	27,752
Sub-contracting	**185,512**	104,029
	231,531	131,781
Other income, other gains and losses		
Rental income	**179**	314
Gain on disposal of property, plant and equipment	**51**	1,215
Dividend income from financial assets	**–**	348
Interest income	**329**	658
Loss on disposal of financial assets	**–**	(257)
Others	**119**	9
	678	2,287

The chief operating decision-maker has been identified as the Board. The Board regards the Group's business as a single operating segment and reviews consolidated financial statements accordingly. Also, the Group only engages its business in Hong Kong and all the non-current assets of the Group are located in Hong Kong. Therefore, no segment and geographical information is presented.

Information about the major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer A[1]	**88,568**	43,345
Customer B[1]	**73,832**	21,719
Customer C[2]	**46,019**	26,978
Customer D[1]	**N/A[3]**	18,824

[1] Revenue from sub-contracting.
[2] Revenue from both main contracting and sub-contracting.
[3] The corresponding revenue did not contribute over 10% of total revenue of the Group.

4. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on finance leases	**25**	218

5. (LOSS)/PROFIT BEFORE INCOME TAX

	2019	2018
	HK$'000	*HK$'000*
Included in direct costs:		
Depreciation of owned assets	**4,794**	2,154
Depreciation of assets under finance leases	**634**	2,290
Staff costs	**31,035**	22,354
Operating lease rental in respect of		
— Plant and machinery	**3,751**	2,342
— Others	**28**	20
Included in administrative and other operating expenses:		
Auditors' remuneration	**780**	750
Depreciation of owned assets	**1,997**	1,932
Depreciation of assets under finance leases	**127**	1,242
Operating lease rental in respect of		
— Premises	**1,476**	1,302
— Car parks	**139**	156
Staff costs, including directors' emoluments	**12,347**	10,278

6. INCOME TAX (CREDIT)/EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current income tax — Hong Kong profits tax	**–**	889
Deferred income tax	**(1,043)**	110
Income tax (credit)/expense	**(1,043)**	999

7. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2019	2018
(Loss)/profit attributable to owners of the Company (HK$'000)	**(25,132)**	5,562
Weighted average number of ordinary shares in issue (thousands of shares)	**4,000,000**	4,000,000
Basic (loss)/earnings per share (HK cents)	**(0.63)**	0.14

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there were no dilutive potential ordinary shares in issue during the years ended 31 March 2019 and 2018.

8. DIVIDENDS

No dividend was paid or proposed by the Board for the year ended 31 March 2019 (2018: nil).

9. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**25,656**	35,079
Less: allowance for credit losses	**(477)**	–
	25,179	35,079
Retention receivables	**–**	12,787
Other receivables, deposits and prepayments	**5,895**	6,247
	5,895	19,034
	31,074	54,113

Notes:

(a) The credit period granted to customers ranges from 30 to 32 days (2018: 30 to 32 days) generally. Trade receivables are denominated in HK$.

(b) The ageing analysis of the trade receivables, net of allowance for credit losses based on date of payment certificates issued by customers or invoice date, whichever is applicable, are as follows:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**6,361**	18,305
31–60 days	**6,517**	8,346
61–90 days	**8,962**	7,986
Over 90 days	**3,339**	442
	25,179	35,079

10. SHARE CAPITAL

	Number of ordinary shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 31 March 2019 and 2018	**10,000,000,000**	**100,000**
Issued and fully paid:		
As at 31 March 2019 and 2018	**4,000,000,000**	**40,000**

11. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**20,044**	11,722
Retention payables	**5,233**	2,168
Accruals and other payables	**4,615**	4,661
	29,892	18,551

Note:

(a) Payment terms granted by suppliers are generally within two months.

The ageing analysis of trade payables based on the invoice date are as follows:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**12,681**	4,840
31–60 days	**6,240**	5,261
61–90 days	**625**	287
Over 90 days	**498**	1,334
	20,044	11,722

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group has more than 20 years history in Hong Kong foundation industry, specialising in excavation and lateral support works, socketed H-piling and mini-piling works and pile caps construction works. Hop Kee Construction Company Limited, the principal operating subsidiary, is registered under the Buildings Ordinance as a Registered Specialist Contractor under the sub-register of "Foundation Works" category since December 2009.

As at 31 March 2019, the Group had a total of 8 ongoing projects (including projects that have commenced but not completed as well as projects that have been awarded but not yet commenced) and the original contract sum of these projects are approximately HK$203.9 million.

Due to the challenging business operating environment of the foundation industry, the Group reported a net loss during the Review Year. Besides that, the increasing number of competitors seeking for tender projects and the reduced number of foundation contracts from the market resulted in the keen competition were further exacerbated.

It is generally believed that the overall business environment of the foundation industry will continue to slow down in coming years. Thus, the Group has continued to adopt a more competitive tender pricing policy and stringent control over the production costs in order to achieve reasonable project's gross margin.

Looking forward, the Group will continue to strengthen its market position, enhance the Group's competitive strengths and remain positive for the Government to boost housing supply significantly in the next decade, as well as the "Lantau Tomorrow Vision" which would involve building a 1,700-hectare cluster of artificial islands.

Financial Review

Revenue

For the Review Year, the revenue of the Group has increased by approximately HK$99.7 million, or approximately 75.6% compared to the corresponding year ended 31 March 2018, from approximately HK$131.8 million to approximately HK$231.5 million. The increase was mainly because of the completion of the few sizable projects awarded in 2017 during the Review Year.

Gross (Loss)/Profit

For the Review Year, the Group reported gross loss of approximately HK$4.3 million compared to gross profit of approximately HK$25.5 million to the corresponding year ended 31 March 2018. The decline in margin were due to (i) the Group has adopted a more competitive tender pricing policy in order to secure new contracts; (ii) additional construction costs incurred in dealing with some unexpected difficult geological conditions in certain construction sites; and (iii) substantial increase in labour cost, subcontracting fee and overhead costs, due to the timeline and complexity involved in one of the construction sites.

Other income, other gains and losses

For the Review Year, other income, other gains and losses has decreased by approximately HK$1.6 million or approximately 69.6% compared to the corresponding year ended 31 March 2018, from approximately HK$2.3 million to approximately HK$0.7 million. The decrease was primarily due to the decrease in bank interest income and dividend income from financial assets, as well as the decrease in gain on disposal of property, plant and equipment.

Administrative and other operating expenses

For the Review Year, the administrative and other operating expenses have increased by approximately HK$1.5 million or approximately 7.1% compared to the corresponding year ended 31 March 2018, from approximately HK$21.0 million to approximately HK$22.5 million.

Net (Loss)/Profit

As a result of the aforesaid, during the Review Year, the Group reported a net loss of approximately HK$25.1 million compared to the profit of approximately HK$5.6 million to the corresponding year ended 31 March 2018.

Liquidity, Financial Position and Capital Structure

During the Review Year, there has been no change in capital structure of the Group.

As at 31 March 2019, the Group had total bank balances of approximately HK$68.9 million (31 March 2018: approximately HK$95.9 million).

As at 31 March 2019, the Group had no debts outstanding due to the fully repayment of finance lease payable during the Review Year.

Treasury Policy

The Group has adopted a prudent financial management approach towards it treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

Pledge of Assets

As at 31 March 2019, the Group had no pledged bank deposits and pledged assets under finance leases (31 March 2018: approximately HK$2.8 million and approximately HK$6.4 million of bank deposits and net book value of our plant, machinery and equipment were pledged under finance leases respectively).

Exposure to Foreign Exchange Rate Risks

As the Group only operates in Hong Kong and all of the revenue and transactions arising from its operations were settled in Hong Kong dollar, the Directors are of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk for the Review Year.

Capital Expenditure

During the Review Year, the Group invested approximately HK$610,000 in the purchase of property, plant and equipment. All these capital expenditures were financed by internal resources.

Capital Commitments and Contingent Liabilities

As at 31 March 2019, the Group had no material capital commitments or contingent liabilities.

Material Acquisition and Disposals of Subsidiaries and Associated Companies

During the Review Year, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

Significant Investment

During the Review Year, the Group had no significant investment.

Future Plans for Material Investment or Capital Assets

Save as disclosed under the section headed "Use of Proceeds", the Group did not have any other plans for material investments or capital assets during the Review Year.

Final Dividend

The Board has resolved not to recommend the declaration of any final dividend for the Review Year.

Use of Proceeds

The net proceeds received by the Group, after deducting related expenses were approximately HK$84.2 million. These proceeds are intended to be applied in accordance with the proposed application set out in the paragraph headed "Future Plans and Use of Proceeds" to the prospectus of the Company dated 12 September 2016 (the "**Prospectus**"). Such uses include: (i) acquisition of excavators, cranes and breakers; (ii) strengthening the workforce and manpower; (iii) increasing marketing efforts; and (iv) funding of general working capital. Details of the use of the proceeds are listed as below:

	Planned use of Proceeds up to 31 March 2019	Actual Usage up to 31 March 2019
	HK$'000	*HK$'000*
Acquisition of excavators, cranes and breakers	55,000	12,243
Strengthening the workforce and manpower	15,000	8,076
Increasing marketing efforts	4,000	1,686
Funding of general working capital	8,000	8,000
Total	82,000	30,005

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

Employees and Remuneration Policy

As at 31 March 2019, the Group employed a total of 70 full-time employees (including executive Directors), as compared to a total of 64 full-time employees as at 31 March 2018. Remuneration is determined with reference to the market terms and the performance, qualifications and experience of the individual employee. In addition to basic salary, performance-linked bonus is offered to those staff with special contributions to the Group, in order to attract and retain capable employees. The total remuneration cost incurred by the Group for the Review Year was approximately HK$43.4 million compared to approximately HK$32.6 million in the corresponding year ended 31 March 2018.

Events after the Review Year

The Directors confirm that no significant event has taken place after the Review Year.

CORPORATE GOVERNANCE/OTHER INFORMATION

Compliance with the Corporate Governance Code

The Group is committed to maintaining good corporate governance to safeguard the interest of shareholders and to achieve effective accountability. The Company has adopted the corporate governance code (the "**CG code**") contained in Appendix 14 of the Listing Rules. To the best knowledge of the Board, the Company has complied with the CG code during the Review Year and up to the date of this announcement.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the required Model Code's standard during the Review Year and up to the date of this announcement.

Share Option Scheme

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 3 September 2016. The principal terms of the Share Option Scheme are summarised in Appendix IV to the Prospectus. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 3 September 2016, and there is no outstanding share option as at 31 March 2019.

Competing Interests

The Directors confirm that neither the controlling shareholders of the Company nor their respective close associates is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the Review Year, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Purchase, Sales or Redemption of the Company's Securities

For the Review Year and up to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

Directors' Interests in Contracts of Significance

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party for the Review Year.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its Shares as required under the Listing Rules for the Review Year and up to the date of this announcement.

Annual General Meeting ("AGM")

The 2019 AGM will be held on Thursday, 5 September 2019. The notice of the AGM will be published and dispatched to shareholders of the Company in the manner as required by the Listing Rules in due course.

Closure of Register of Members

The Hong Kong branch register of members of the Company will be closed from Saturday, 31 August 2019 to Thursday, 5 September 2019 (both dates inclusive) for the purpose of ascertaining shareholders' entitlement to attend and vote at the forthcoming AGM. No transfer of shares may be registered on those dates. In order to qualify for the shareholders' entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates should be lodged with the Company's Branch Registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Friday, 30 August 2019.

Audit Committee

The Company established an Audit Committee on 3 September 2016 with written terms of reference in compliance with the CG code. The primary duties of the Audit Committee are to review the financial information of the Group, oversee the Group's financial report system, risk management and internal control procedures, provide advice and comments to the Board, and monitor the independence and objective of the external auditor and perform the corporate governance function.

The Audit Committee consists of three members who are all independent non-executive Directors, namely, Mr. Tam Wai Tak Victor, Mr. Law Ka Ho and Mr. Leung Wai Lim. Mr. Tam Wai Tak Victor is the Chairman of the Audit Committee. The Audit Committee has reviewed the consolidated financial statements for the Review Year. The Audit Committee was of the opinion that the preparation of such results complied with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

Appreciation

The Board would like to take this opportunity to express its sincere gratitude to the management team and staff for their hard work and contributions, and to our shareholders, investors and business partners for their trust and support.

By Order of the Board
Shun Wo Group Holdings Limited
Wong Yan Hung
Chairman

Hong Kong, 28 June 2019

As at the date of this announcement, the Company's executive Directors are Mr. WONG Yan Hung, Mr. WONG Tony Yee Pong, Mr. LAI Kwok Fai and Mr. LAM Joseph Chok and the independent non-executive Directors are Mr. LAW Ka Ho, Mr. LEUNG Wai Lim and Mr. TAM Wai Tak Victor.