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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 2020

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 2020 (the “**Review Year**”), together with the comparative figures for the corresponding year ended 31 March 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	3	134,392	231,531
Direct costs		<u>(140,540)</u>	<u>(235,802)</u>
Gross loss		(6,148)	(4,271)
Other income, other gains and losses	4	1,090	678
Change in fair value of financial assets at fair value through profit or loss		(2,488)	–
Administrative and other operating expenses		(22,146)	(22,519)
Net impairment losses on financial assets and contract assets		(2,960)	(38)
Finance costs	5	<u>–</u>	<u>(25)</u>
Loss before income tax	6	(32,652)	(26,175)
Income tax (expense)/credit	7	<u>(401)</u>	<u>1,043</u>
Loss and total comprehensive expense for the year attributable to owners of the Company		<u>(33,053)</u>	<u>(25,132)</u>
Loss per share attributable to owners of the Company			
— Basic and diluted loss per share (HK cents)	8	<u>(0.83)</u>	<u>(0.63)</u>

Details of dividends are disclosed in note 9.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		16,912	12,431
Right-of-use assets		1,147	–
		<u>18,059</u>	<u>12,431</u>
Current assets			
Contract assets		38,850	47,674
Trade and other receivables	<i>10</i>	20,259	31,074
Financial assets at fair value through profit or loss		2,274	–
Bank deposits		–	2,829
Current income tax recoverable		753	1,641
Cash and cash equivalents		39,517	66,036
		<u>101,653</u>	<u>149,254</u>
Total assets		<u>119,712</u>	<u>161,685</u>
EQUITY			
Equity attributable to owners of the Company			
Capital and reserves			
Share capital	<i>11</i>	40,000	40,000
Reserves		57,884	90,937
		<u>97,884</u>	<u>130,937</u>
Total equity		<u>97,884</u>	<u>130,937</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		369	856
Current liabilities			
Trade and other payables	<i>12</i>	21,392	29,892
Lease liabilities		67	–
		<u>21,459</u>	<u>29,892</u>
Total liabilities		<u>21,828</u>	<u>30,748</u>
Total equity and liabilities		<u>119,712</u>	<u>161,685</u>
Net current assets		<u>80,194</u>	<u>119,362</u>
Total assets less current liabilities		<u>98,253</u>	<u>131,793</u>

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 2020, 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 Flat A, 7/F., Sai Wan Ho Plaza, 68 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. The area involving a high degree of judgement or complexity, or areas where assumptions and estimate are significant to the consolidated financial statements, are disclosed in the consolidated financial statements.

2.2 Change in accounting policy and disclosures

(a) *New and amended standards and interpretations adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2019:

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

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 these consolidated financial statements.

(i) *HKFRS 16 Leases — Impact of adoption*

The Group has adopted HKFRS 16 *Leases* retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The right-of-use assets were recognised at amount equal to the related lease liabilities adjusted by any prepaid or accrued lease payments.

(ii) *Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 April 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(iii) *Measurement of lease liabilities and right-of-use assets*

HK\$'000

Operating lease commitments disclosed as at 31 March 2019	343
Less: short-term leases not recognised as a liability	(343)
	<hr/>
Lease liabilities recognised as at 1 April 2019	–
	<hr/> <hr/>

As at 1 April 2019, the Group only had lease arrangement with remaining lease term within 12 months. No right-of-use assets was recognised as at 1 April 2019.

There is no impact of transition to HKFRS 16 on the assets, liabilities and retained earnings at the date of initial application.

(iv) *Lessor accounting*

The Group leases out a number of items of machinery as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17, the Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

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

A number of new and amended standards have been published that are not mandatory for the year ended 31 March 2020 and have not been early adopted by the Group.

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

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

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

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

⁴ Effective for annual periods beginning on or after a date to be determined.

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

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

The directors of the Company anticipate that the application of all these new and amendments will have no material impact on the consolidated financial statements of the Group.

3. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents construction contract receipts in the ordinary course of business. Revenue recognised during the reporting period are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue		
Main contracting	74,839	46,019
Sub-contracting	59,553	185,512
	134,392	231,531

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	72,084	46,019
Customer B	41,718	88,568
Customer C	N/A ¹	73,832

¹ The corresponding revenue did not contribute over 10% of total revenue of the Group.

4. OTHER INCOME, OTHER GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Rental income	201	179
Gain on disposal of property, plant and equipment	–	51
Net foreign exchange loss	(9)	–
Interest income	619	329
Others	279	119
	1,090	678

5. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on finance leases	–	25

6. LOSS BEFORE INCOME TAX

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Included in direct costs:		
Depreciation of owned assets	4,620	4,794
Depreciation of assets under finance leases	–	634
Staff costs	28,759	31,035
Operating lease rental classified as operating lease under HKAS 17 in respect of		
— Plant and machinery	–	3,751
— Others	–	28
Expense relating to short-term leases not included in the measurement of lease liabilities	<u>134</u>	<u>–</u>
Included in administrative and other operating expenses:		
Auditors' remuneration	750	780
Depreciation of owned assets	2,562	1,997
Depreciation of assets under finance leases	–	127
Operating lease rental classified as operating lease under HKAS 17 in respect of		
— Premises	–	1,476
— Car parks	–	139
Expense relating to short-term leases not included in the measurement of lease liabilities	1,886	–
Staff costs, including directors' emoluments	<u>11,925</u>	<u>12,347</u>

7. INCOME TAX EXPENSE/(CREDIT)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current income tax		
— Hong Kong profits tax	–	–
— Over-provision in prior years	888	–
Deferred income tax	<u>(487)</u>	<u>(1,043)</u>
Income tax expense/(credit)	<u>401</u>	<u>(1,043)</u>

8. LOSS PER SHARE

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

	2020	2019
Loss attributable to owners of the Company (HK\$'000)	(33,053)	(25,132)
Weighted average number of ordinary shares in issue (thousands of shares)	<u>4,000,000</u>	<u>4,000,000</u>
Basic loss per share (HK cents)	<u>(0.83)</u>	<u>(0.63)</u>

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue during the years ended 31 March 2020 and 2019.

9. DIVIDENDS

No dividend was paid or proposed by the Board for the year ended 31 March 2020 (2019: Nil).

10. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	16,780	25,656
Less: allowance for credit losses	(1,373)	(477)
	15,407	25,179
Other receivables, deposits and prepayments	4,852	5,895
	20,259	31,074

Notes:

- (a) The credit period granted to customers ranges from 14 to 32 days (2019: 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	5,758	6,361
31–60 days	1,123	6,517
61–90 days	1,765	8,962
Over 90 days	6,761	3,339
	15,407	25,179

11. SHARE CAPITAL

	Number of ordinary shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 31 March 2020 and 2019	10,000,000,000	100,000
Issued and fully paid:		
As at 31 March 2020 and 2019	4,000,000,000	40,000

12. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	12,497	20,044
Retention payables	6,237	5,233
Accruals and other payables	2,658	4,615
	<u>21,392</u>	<u>29,892</u>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	7,483	12,681
31–60 days	4,829	6,240
61–90 days	121	625
Over 90 days	64	498
	<u>12,497</u>	<u>20,044</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group has more than 20 years history in Hong Kong's 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 2020, the Group had a total of 6 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\$152.8 million.

Subsequent to 31 March 2020, three more new projects were awarded to the Group.

Due to the challenging business operating environment of the foundation industry, the Group reported a net loss of HK\$33.1 million during the Review Year. This compares with a net loss of HK\$25.1 million for 2019. In addition, 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, despite the temporary economic fluctuation caused by the pandemic of coronavirus disease 2019 (the "COVID-19") at the beginning of the year, 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 foster infrastructure development plans in the long term.

Financial Review

Revenue

For the Review Year, the revenue of the Group has decreased by approximately HK\$97.1 million, or approximately 42.0% compared to the corresponding year ended 31 March 2019, from approximately HK\$231.5 million to approximately HK\$134.4 million. The decrease in revenue was mainly because of the completion of few sizable projects in early 2019.

Gross loss

For the Review Year, the Group reported gross loss of approximately HK\$6.1 million compared to gross loss of approximately HK\$4.3 million to the corresponding year ended 31 March 2019. The result of gross loss 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 complexity arising from various construction sites; and (iii) increase in labour cost and overhead costs, due to the delay in certain projects caused by the COVID-19's preventive health measures taken since early 2020.

Other income, other gains and losses

For the Review Year, other income, other gains and losses has increased by approximately HK\$0.4 million or approximately 60.8% compared to the corresponding year ended 31 March 2019, from approximately HK\$0.7 million to approximately HK\$1.1 million. The increase was primarily due to the increase in bank interest income.

Change in fair value of financial assets at fair value through profit or loss

For the Review Year, the Group reported change in fair value of financial assets at fair value through profit or loss of approximately HK\$2.5 million. This was primarily due to the fair value loss on overseas listed investment (2019: Nil).

Administrative and other operating expenses

For the Review Year, the administrative and other operating expenses have decreased by approximately HK\$0.4 million or approximately 1.7% compared to the corresponding year ended 31 March 2019, from approximately HK\$22.5 million to approximately HK\$22.1 million. The slightly decrease was mainly due to the tighten control of cost by management's effort.

Net impairment losses on financial assets and contract assets

For the Review Year, the net impairment losses on financial assets and contract assets have increased by approximately HK\$2.9 million compared to the corresponding year ended 31 March 2019, from approximately HK\$38,000 to approximately HK\$3.0 million. The significant increase was due to the increase in impairment losses under expected credit loss model on trade receivables and contract assets caused by significant changes in the expected performance and behavior of the debtors.

Net loss

As a result of the aforesaid, during the Review Year, the Group reported a net loss of approximately HK\$33.1 million compared to a net loss of approximately HK\$25.1 million to the corresponding year ended 31 March 2019.

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 2020, the Group had total bank balances of approximately HK\$39.5 million (31 March 2019: approximately HK\$68.9 million).

As at 31 March 2020 and 2019, the Group had no debts outstanding.

Treasury Policy

The Group has adopted a prudent financial management approach towards its 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 2020, the Group had cash collateral of approximately HK\$3.7 million for issuance of surety bonds (31 March 2019: Nil).

Exposure to Foreign Exchange Rate Risks

As the Group only operates in Hong Kong and most 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\$11.7 million 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 2020, 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 2020 <i>HK\$'000</i>	Actual Usage up to 31 March 2020 <i>HK\$'000</i>	Unutilised Usage up to 31 March 2020 <i>HK\$'000</i>	Expected Timeline for Utilising the Unutilised Proceeds		
				31 March 2021 <i>HK\$'000</i>	31 March 2022 <i>HK\$'000</i>	31 March 2023 <i>HK\$'000</i>
Acquisition of excavators, cranes and breakers	55,000	23,795	31,205	12,000	10,000	9,205
Strengthening the workforce and manpower	15,000	12,436	2,564	2,564	–	–
Increasing marketing efforts	6,200	2,943	3,257	1,100	1,100	1,057
Funding of general working capital	8,000	8,000	–	–	–	–
Total	<u>84,200</u>	<u>47,174</u>	<u>37,026</u>	<u>15,664</u>	<u>11,100</u>	<u>10,262</u>

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 2020, the Group employed a total of 58 full-time employees (including executive Directors), as compared to a total of 70 full-time employees as at 31 March 2019. 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\$40.7 million compared to approximately HK\$43.4 million in the corresponding year ended 31 March 2019.

Events after the Review Year

There is no material subsequent event undertaken by the Group after 31 March 2020 and up to the date of this announcement.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2020.

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 2020 AGM will be held on Thursday, 3 September 2020. 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, 29 August 2020 to Thursday, 3 September 2020 (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, 28 August 2020.

Audit Committee

The Company established an audit committee (the "**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, 30 June 2020

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