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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORTS FOR THE YEAR ENDED 31 MARCH 2019 AND THE YEAR ENDED 31 MARCH 2020

Reference is made to the annual reports for the year ended 31 March 2019 (the “**2019 Annual Report**”) and the year ended 31 March 2020 (the “**2020 Annual Report**”, together with the 2019 Annual Report, the “**Annual Reports**”) of Shun Wo Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”). This announcement is supplemental to, and should be read in conjunction with the Annual Reports. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Annual Reports.

Pursuant to the prospectus (the “**Prospectus**”) of the Company dated 12 September 2016, the net proceeds after deducting related expenses from the share offer (the “**Share Offer**”) of the Company at the time of its listing was approximately HK\$84.2 million. In addition to the information disclosed in the section under the “Management Discussion and Analysis” in the Annual Reports, the board (the “**Board**”) of directors of the Company wishes to provide a breakdown and description of the intended use of the remaining proceeds (the “**Remaining Proceeds**”) from the Share Offer pursuant to Rules 11(8) and 11A of Appendix 16 of the Listing Rules.

EXPECTED TIMELINE FOR USING THE REMAINING PROCEEDS

The table below sets out the planned and actual usage of the net proceeds up to 31 March 2019 and 31 March 2020 and the expected timeline for using the Remaining Proceeds:

Intended use of the Net Proceeds	Planned use of proceeds				Expected timeline for using the Remaining Proceeds up to ^(Note)			
	up to 31 March 2020	usage up to 31 March 2019	usage up to 31 March 2020	Remaining Proceeds up to 31 March 2020	31 March 2021	31 March 2022	31 March 2023	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Acquisition of excavators, cranes and breakers	55,000	12,243	23,795	31,205	12,000	10,000	9,205	
Strengthening the workforce and manpower	15,000	8,076	12,436	2,564	2,564	—	—	
Increasing marketing efforts	6,200	1,686	2,943	3,257	1,100	1,100	1,057	
Funding of general working capital	8,000	8,000	8,000	—	—	—	—	
Total	<u>84,200</u>	<u>30,005</u>	<u>47,174</u>	<u>37,026</u>	<u>15,664</u>	<u>11,100</u>	<u>10,262</u>	

Note: The expected timeline for using the Remaining Proceeds is based on the best estimation and assumption of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

REASONS FOR PROLONGING THE TIMELINE FOR USING THE REMAINING PROCEEDS

The Group has been facing challenges in obtaining new businesses in the past few financial years due to the continuing weakness and the keen competition in the foundation industry. In addition, the postponement of site examination by the government departments due to the health measures of coronavirus disease pandemic (the “**COVID-19**”) since early 2020 have increased the overhead costs of the construction projects. These factors have adversely affected the Group’s profitability and operating results and the Board foresees that these factors would persist in the near future.

The Remaining Proceeds are expected to be used in accordance with the Company’s plan as disclosed in the Prospectus, except that the original timeline for the Group’s expansion plan has been prolonged due to the aforesaid factors. The Board believes that it is financially prudent to prolong the timeline for implementing the business expansion as this would enhance the liquidity management of the Group and allows greater flexibility in responding to different challenges ahead. As it is premature to assess the extent and duration of the impact of the COVID-19 on the foundation industry and Hong Kong economy as a whole, the Group currently plans to prolong the timeline for using the Remaining Proceeds up to the financial year ending 31 March 2023.

This announcement does not affect any information contained in the Annual Reports, and save as disclosed herein above, all other information in the Annual Reports remain unchanged.

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

Hong Kong, 31 July 2020

As at the date of this announcement, the 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.