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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Shun Wo Group Holdings Limited (the “**Company**”) is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2020 (the “**Period**”), together with the comparative unaudited figures for the corresponding period in 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		For the six months ended 30 September	
	<i>Notes</i>	2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	4	60,110	66,803
Direct costs		<u>(57,423)</u>	<u>(64,886)</u>
Gross profit		2,687	1,917
Other income, other gains and losses	4	3,504	513
Change in fair value of financial assets at fair value through profit or loss		(18)	–
Administrative and other operating expenses		(10,455)	(8,942)
Net (impairment losses)/reversal of impairment losses on financial assets and contract assets		(2,512)	63
Finance costs	5	<u>(1)</u>	<u>–</u>
Loss before income tax	6	(6,795)	(6,449)
Income tax credit/(expense)	7	<u>369</u>	<u>(148)</u>
Loss and total comprehensive expense for the period attributable to owners of the Company		<u>(6,426)</u>	<u>(6,597)</u>
Loss per share attributable to owners of the Company			
— Basic and diluted loss per share (HK cents)	8	<u>(0.161)</u>	<u>(0.165)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		As at 30 September 2020	As at 31 March 2020
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	<i>10</i>	18,603	16,912
Right-of-use assets		624	1,147
		<hr/> 19,227 <hr/>	<hr/> 18,059 <hr/>
Current assets			
Contract assets	<i>11</i>	31,408	38,850
Trade and other receivables	<i>12</i>	24,574	20,259
Financial assets at fair value through profit or loss		–	2,274
Pledged bank deposits	<i>13</i>	5,000	–
Current income tax recoverable		–	753
Cash and bank balances	<i>14</i>	38,829	39,517
		<hr/> 99,811 <hr/>	<hr/> 101,653 <hr/>
Total assets		<hr/> 119,038 <hr/>	<hr/> 119,712 <hr/>
EQUITY			
Equity attributable to owners of the Company			
Capital and reserves			
Share capital	<i>15</i>	40,000	40,000
Reserves		51,458	57,884
Total equity		<hr/> 91,458 <hr/>	<hr/> 97,884 <hr/>
LIABILITIES			
Non-current liabilities			
Lease liabilities		29	–
Deferred tax liabilities		–	369
		<hr/> 29 <hr/>	<hr/> 369 <hr/>
Current liabilities			
Trade and other payables	<i>16</i>	27,545	21,392
Lease liabilities		6	67
		<hr/> 27,551 <hr/>	<hr/> 21,459 <hr/>
Total liabilities		<hr/> 27,580 <hr/>	<hr/> 21,828 <hr/>
Total equity and liabilities		<hr/> 119,038 <hr/>	<hr/> 119,712 <hr/>
Net current assets		<hr/> 72,260 <hr/>	<hr/> 80,194 <hr/>
Total assets less current liabilities		<hr/> 91,487 <hr/>	<hr/> 98,253 <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2020

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Retained earnings/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at 31 March 2019 (Audited)	40,000	56,625	198	34,114	130,937
Loss and total comprehensive expense for the period	—	—	—	(6,597)	(6,597)
Balance as at 30 September 2019 (Unaudited)	<u>40,000</u>	<u>56,625</u>	<u>198</u>	<u>27,517</u>	<u>124,340</u>
Balance as at 31 March 2020 (Audited)	40,000	56,625	198	1,061	97,884
Loss and total comprehensive expense for the period	—	—	—	(6,426)	(6,426)
Balance as at 30 September 2020 (Unaudited)	<u>40,000</u>	<u>56,625</u>	<u>198</u>	<u>(5,365)</u>	<u>91,458</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	For the six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net cash generated from/(used in) operations	8,642	(26,337)
Tax refunded	753	—
	<u>9,395</u>	<u>(26,337)</u>
Net cash generated from/(used in) operating activities		
	<u>9,395</u>	<u>(26,337)</u>
Cash flows from investing activities		
Interest received	45	309
Increase in pledged bank deposits	(5,000)	—
Purchases of property, plant and equipment	(5,060)	(3,168)
Proceed from disposal of property, plant and equipment	2	—
	<u>(10,013)</u>	<u>(2,859)</u>
Net cash used in investing activities		
	<u>(10,013)</u>	<u>(2,859)</u>
Cash flows from financing activities		
Lease payment		
— Interest element	(1)	—
— Capital element	(69)	—
	<u>(70)</u>	<u>—</u>
Net cash used in financing activities		
	<u>(70)</u>	<u>—</u>
Net decrease in cash and cash equivalents	(688)	(29,196)
Cash and cash equivalents at the beginning of period	39,517	66,036
	<u>38,829</u>	<u>36,840</u>
Cash and cash equivalents at the end of period	<u>38,829</u>	<u>36,840</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 (the “**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 30 September 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, 7th Floor, Sai Wan Ho Plaza, 68 Shaukeiwan Road, Hong Kong.

The unaudited interim results for the Period have been reviewed by the Company’s audit committee.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the Period have been prepared in accordance with the Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

3. ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis and presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2020.

3.1 Changes in accounting policy and disclosures

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of the new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group.

4. 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 respective periods are as follows:

	For the six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Main contracting	56,536	21,981
Sub-contracting	3,574	44,822
	<u>60,110</u>	<u>66,803</u>

Disaggregation of revenue from contracts with customers

	For the six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
Over-time	<u>60,110</u>	<u>66,803</u>
Types of goods or services		
Foundation work services	<u>60,110</u>	<u>66,803</u>

	For the six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Other income, other gains and losses		
Rental income	1,200	201
Interest income	45	309
Gain on disposal of property, plant and equipment	2	–
Net foreign exchange loss	(26)	–
Government grants ^(Note)	1,736	–
Others	547	3
	<u>3,504</u>	<u>513</u>

Note:

During the Period, these primarily represented government subsidies granted due to the COVID-19 pandemic which include subsidies of HK\$1,656,000 under the employment support scheme.

Segment information

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 financial information 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.

5. FINANCE COSTS

	For the six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on lease liabilities	<u>1</u>	<u>–</u>

6. LOSS BEFORE INCOME TAX

	For the six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Included in direct costs:		
Depreciation of owned assets	1,698	2,206
Staff costs	9,636	17,306
Operating lease rental classified as operating leases under HKAS 17 in respect of		
— Plant and machinery	—	895
— Others	—	21
Expense relating to short-term leases not included in the measurement of lease liabilities	100	—
Included in administrative and other operating expenses:		
Depreciation of owned assets	1,671	1,553
Depreciation of right-of-use assets	560	—
Operating lease rental classified as operating leases under HKAS 17 in respect of		
— Premises	—	978
— Car parks	—	71
Expense relating to short-term leases not included in the measurement of lease liabilities	270	—
Staff costs, including directors' emoluments	5,246	3,980

7. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong during the respective periods are as follows:

	For the six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
Hong Kong profits tax	—	87
Deferred income tax	(369)	61
Income tax (credit)/expense	(369)	148

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 respective periods. The calculation of basic loss per share attributable to owners of the Company is based on the following:

	For the six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company	(6,426)	(6,597)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (in thousand)	4,000,000	4,000,000
Basic loss per share (HK cents)	<u>(0.161)</u>	<u>(0.165)</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 relevant periods.

9. DIVIDENDS

No interim dividend was proposed by the Board for the Period.

10. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group invested approximately HK\$5.1 million in the purchase of property, plant and equipment (30 September 2019: approximately HK\$3.2 million).

11. CONTRACT ASSETS

	As at 30 September 2020	As at 31 March 2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Contract assets	34,993	41,217
Less: allowance for credit losses	<u>(3,585)</u>	<u>(2,367)</u>
	<u>31,408</u>	<u>38,850</u>

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on factors other than passage of time. The contract assets are transferred to trade receivables when the rights become unconditional.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

12. TRADE AND OTHER RECEIVABLES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Trade receivables	20,776	16,780
Less: allowance for credit losses	(2,667)	(1,373)
	<u>18,109</u>	<u>15,407</u>
Other receivables, deposits and prepayments	6,465	4,852
	<u>24,574</u>	<u>20,259</u>

Notes:

- (a) The credit period granted to customers ranges from 14 days to 32 days (31 March 2020: 14 days 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:

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
0–30 days	6,200	5,758
31–60 days	5,583	1,123
61–90 days	387	1,765
Over 90 days	5,939	6,761
	<u>18,109</u>	<u>15,407</u>

13. PLEDGED BANK DEPOSITS

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Pledged Bank deposits	5,000	–

Note: Pledged bank deposits represent deposits pledged to bank for purpose of surety bond for certain of construction projects.

14. CASH AND BANK BALANCES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Cash at banks	36,829	29,517
Short-term bank deposits	2,000	10,000
	<u>38,829</u>	<u>39,517</u>

15. SHARE CAPITAL

	Number of ordinary shares	Share capital <i>HK\$'000</i>
Ordinary share of HK\$0.01 each		
Authorised:		
As at 30 September 2020 (Unaudited) and 31 March 2020 (Audited)	10,000,000,000	100,000
Issued and fully paid:		
As at 30 September 2020 (Unaudited) and 31 March 2020 (Audited)	4,000,000,000	40,000

16. TRADE AND OTHER PAYABLES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Trade payables	18,666	12,497
Retention payables	7,046	6,237
Accruals and other payables	1,833	2,658
	<u>27,545</u>	<u>21,392</u>

Notes:

- (a) Payment terms granted by suppliers are generally within 2 months.

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

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
0-30 days	9,308	7,483
31-60 days	190	4,829
61-90 days	4,331	121
Over 90 days	4,837	64
	<u>18,666</u>	<u>12,497</u>

- (b) All trade and other payables are denominated in HK\$.

17. RELATED PARTIES TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) **The Directors are of the view that the following companies that had transactions with the Group are related parties:**

Name	Relationship with the Group
Hop Kee Development Co., Limited	A related company was owned by Mr. YH Wong and Mr. Tony Wong as to 50% and 30% respectively.
Shun Tai Holdings Limited	A related company was owned by Mr. YH Wong, Mr. Tony Wong and Mr. Lai as to 40%, 30% and 30% respectively.

- (b) **Transactions with related parties**

	For the six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Rental of premises, warehouse and car parking spaces paid to:		
Hop Kee Development Co., Limited	270	198
Shun Tai Holdings Limited	-	540
	<u>270</u>	<u>738</u>

Notes:

- (i) The rental expenses for premises, warehouse and car parking spaces payable to the above related parties are based on the agreements entered into between the parties involved with initial lease term of 12 months.

- (ii) As at 30 September 2020, prepaid warehouse rental to Shun Tai Holdings Limited of HK\$540,000 was recognised in right-of-use assets.

(c) **Compensation of key management personnel of the Group:**

	For the six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Short-term employee benefits	2,675	1,750
Post-employment benefits	27	35
	<u>2,702</u>	<u>1,785</u>

18. CAPITAL COMMITMENTS

As at 30 September 2020, the Group had contracted, but not provided for acquisition of property, plant and equipment in the amount of approximately HK\$3.0 million (31 March 2020: Nil).

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 30 September 2020, 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) undertaken with the original contract sum of approximately HK\$148.5 million.

Due to the challenging business operating environment of the foundation industry and the increasing number of competitors seeking for tender projects, the Group reported a net loss of approximately HK\$6.4 million during the Period, as compared to the net loss of approximately HK\$6.6 million to the corresponding period in 2019.

Looking forward, the financial year of 2020/21 is expected to be full of challenges and uncertainties. The persisted poor social atmosphere in Hong Kong as well as the keen competition of the foundation industry, coupled with the outbreak of the COVID-19 pandemic will have impacts on the foundation industry and the impact and pressure brought by the COVID-19 pandemic are yet to be alleviated and its effect are difficult to estimate. These negative impacts will not be disappeared in a short period of time and the market recovery will be a long path.

In such challenging times, the management is mindful of the uncertainties and staying cautious. The Group is also flexibly adjusting its competitive tender pricing policy and stringent control over the production costs in order to achieve reasonable projects' gross margin.

On the whole, the Group will continue to strengthen its market positions, enhance the Group's competitive strengths and remain positive about the future.

Financial Review

Revenue

For the Period, the revenue of the Group has decreased by approximately HK\$6.7 million, or approximately 10.0% compared to the corresponding period in 2019, from approximately HK\$66.8 million to approximately HK\$60.1 million. The decrease was primarily due to the keen competition faced by the Group in obtaining new business in the foundation industry.

Gross Profit and Gross Profit Margin

For the Period, the gross profit of the Group has increased by approximately HK\$0.8 million, or approximately 40.2% compared to the corresponding period in 2019, from approximately HK\$1.9 million to approximately HK\$2.7 million. The gross profit margin has increased by 1.6 percentage points (“**p.p**”) to approximately 4.5% compared to the corresponding period in 2019 of approximately 2.9%. The increase in gross profit and gross profit margin were the result of the improved gross profit margin for the newly awarded new foundation projects commenced during the Period.

Other income, other gains and losses

For the Period, the other income, other gains and losses has increased by approximately HK\$3.0 million or approximately 6.8 times compared to the corresponding period in 2019, from approximately HK\$0.5 million to approximately HK\$3.5 million. The increase was due to the increase in rental income and the receipts of government grants in respect of COVID-19’s subsidies.

Administrative and other operating expenses

For the Period, the administrative and other operating expenses have increased by approximately HK\$1.5 million or approximately 16.9% compared to the corresponding period in 2019, from approximately HK\$9.0 million to approximately HK\$10.5 million. The increase was due to the increase in the staff costs (including Directors’ emoluments) for rewarding and retaining talented employees.

Net impairment losses on financial assets and contract assets

For the Period, the net impairment losses on financial assets and contract assets have increased by approximately HK\$2.6 million compared to the corresponding period in 2019 of a reversal of approximately HK\$63,000. The significant increase was due to the increase in expected credit loss on trade receivables and contract assets.

Net loss

As a result of the aforesaid, the Group reported a net loss of approximately HK\$6.4 million compared to the corresponding period in 2019 of a net loss of approximately HK\$6.6 million.

Liquidity, Financial Position and Capital Structure

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

As at 30 September 2020, the Group had total cash and cash equivalents and pledged bank deposits of approximately HK\$43.8 million (31 March 2020: approximately HK\$39.5 million).

As at 30 September 2020, the Group had no debts outstanding (31 March 2020: Nil).

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.

Gearing Ratio

As at 30 September 2020, the gearing ratio (calculated as total borrowings divided by the total equity) was nil (31 March 2020: Nil).

Pledge of Assets

As at 30 September 2020, the Group had approximately HK\$5.0 million of bank deposits being pledged to secure the banking facility granted to the Group (31 March 2020: 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 Period.

Capital Expenditure

During the Period, the Group invested approximately HK\$5.1 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 30 September 2020, the Group had contracted, but not provided for acquisition of property, plant and equipment in the amount of approximately HK\$3.0 million and had no material contingent liabilities.

Material Acquisition and Disposals of Subsidiaries and Associated Companies

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

Significant Investment Held

During the Period, 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 does not have any other plans for material investments or capital assets.

Interim Dividend

The Board has resolved not to recommend the declaration of any interim dividend for the Period.

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 in 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 30 September 2020 HK\$'000	Actual Usage up to 30 September 2020 HK\$'000	Unutilised Usage up to 30 September 2020 HK\$'000	Expected Timeline for Utilising the Unutilised Proceeds		
				31 March 2021 HK\$'000	31 March 2022 HK\$'000	31 March 2023 HK\$'000
Acquisition of excavators, cranes and breakers	55,000	28,855	26,145	7,000	10,000	9,145
Strengthening the workforce and manpower	15,000	15,000	–	–	–	–
Increasing marketing efforts	6,200	3,521	2,679	550	1,100	1,029
Funding of general working capital	8,000	8,000	–	–	–	–
Total	<u>84,200</u>	<u>55,376</u>	<u>28,824</u>	<u>7,550</u>	<u>11,100</u>	<u>10,174</u>

Notes:

1. 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.
2. 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. 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.

Employees and Remuneration Policy

As at 30 September 2020, the Group employed a total of 54 full-time employees (including executive Directors), as compared to a total of 58 full-time employees as at 31 March 2020. 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 Period was approximately HK\$14.9 million compared to approximately HK\$21.3 million to the corresponding period in 2019.

Events After the Period

There is no important event affecting the Group after the Period and up to the date of this announcement.

CORPORATE GOVERNANCE/OTHER INFORMATION

Directors and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and the Associated Corporations

As at 30 September 2020, the interests and short positions of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules, notified to the Company and the Stock Exchange, were as follows:

i. Long position in our Shares

Name of Directors	Capacity/Nature	Number of Shares held/ interested	Percentage of shareholding
Mr. Wong Yan Hung	Interest in a controlled corporation (<i>Note</i>)	2,040,000,000	51%
Mr. Wong Tony Yee Pong	Interest in a controlled corporation (<i>Note</i>)	2,040,000,000	51%
Mr. Lai Kwok Fai	Interest in a controlled corporation (<i>Note</i>)	2,040,000,000	51%

Note:

These 2,040,000,000 Shares are held by May City, the entire issued share capital of which is owned as to 40% by Mr. Wong Yan Hung, 30% by Mr. Wong Tony Yee Pong and 30% by Mr. Lai Kwok Fai. Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai have had a mutual understanding all along to

jointly control the Group and thus they are presumed to be acting in concert (within the meaning of the Codes on Takeovers and Mergers and Share Buy-backs (the “**Takeovers Code**”). Therefore, each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is deemed, or taken to be, interested in all the Shares held by May City for the purposes of the SFO. Each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is a director of May City.

ii. *Long position in the shares of associated corporation*

Name of Directors	Name of associated corporation	Capacity/Nature	Number of shares held/ interested in	Percentage of interest
Mr. Wong Yan Hung	May City	Beneficial interest	40	40%
Mr. Wong Tony Yee Pong	May City	Beneficial interest	30	30%
Mr. Lai Kwok Fai	May City	Beneficial interest	30	30%

Save as disclosed above, as at 30 September 2020, none of the Directors or chief executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

Substantial and Other Shareholders’ Interest and Short Positions in Shares and Underlying Shares

As at 30 September 2020, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Name	Capacity/Nature	Number of Shares held/ interested in	Percentage of interest
May City	Beneficial interest (<i>Note 1</i>)	2,040,000,000	51%
Ms. Choi Mei Chu	Interest of spouse (<i>Note 2</i>)	2,040,000,000	51%
Ms. Lee Pik Yu, Kenji	Interest of spouse (<i>Note 3</i>)	2,040,000,000	51%
Ms. Mak Kit Ling	Interest of spouse (<i>Note 4</i>)	2,040,000,000	51%

Notes:

1. These 2,040,000,000 Shares are held by May City, the entire issued share capital of which is owned as to 40% by Mr. Wong Yan Hung, 30% by Mr. Wong Tony Yee Pong and 30% by Mr. Lai Kwok Fai. Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai have had a mutual understanding all along to jointly control the Group and thus they are presumed to be acting in concert (within the meaning of the Takeovers Code). Therefore, each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is deemed, or taken to be, interested in all the Shares held by May City for the purposes of the SFO. Each of Mr. Wong Yan Hung, Mr. Wong Tony Yee Pong and Mr. Lai Kwok Fai is a director of May City.
2. Ms. Choi Mei Chu is the spouse of Mr. Wong Yan Hung and is deemed or taken to be interested in all the Shares in which Mr. Wong Yan Hung has, or is deemed to have, an interest for the purposes of the SFO.
3. Ms. Lee Pik Yu, Kenji is the spouse of Mr. Wong Tony Yee Pong and is deemed or taken to be interested in all the Shares in which Mr. Wong Tony Yee Pong has, or is deemed to have, an interest for the purposes of the SFO.
4. Ms. Mak Kit Ling is the spouse of Mr. Lai Kwok Fai and is deemed or taken to be interested in all the Shares in which Mr. Lai Kwok Fai has, or is deemed to have, an interest for the purposes of the SFO.

Save as disclosed above, as at 30 September 2020, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Share Option Scheme

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 3 September 2016. 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 30 September 2020.

Competing Interests

The Directors confirm that neither the Directors nor 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 Period, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

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 Period and up to the date of this announcement.

Compliance with the Model Code

The Company has adopted 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 Period and up to the date of this announcement.

Directors' Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this announcement, at no time during the Period was the Company or any its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, underlying shares, the Company or any other body corporate.

Purchase, Sales or Redemption of the Company's Securities

During the Period 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 during the Period.

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 during the Period and up to the date of this announcement.

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 reporting system, risk management and internal control procedures, provide advice and comments to the Board, and monitor the independence and objective of the external auditor.

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 unaudited interim results for the Period. 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 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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement of the Company is published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.swgrph.com). The interim report of the Company for the Period containing all the relevant information required by the Listing Rules will be dispatched to the shareholders of the Company on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 27 November 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.