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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 2023**

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 2023 (the “**Period**”), together with the comparative unaudited figures for the corresponding period in 2022.

### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 September 2023*

		<b>For the six months ended 30 September</b>	
	<i>Notes</i>	<b>2023</b>	<b>2022</b>
		<b>HK\$’000</b>	<b>HK\$’000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	4	<b>234,849</b>	128,348
Direct costs		<u><b>(190,558)</b></u>	<u>(117,121)</u>
<b>Gross profit</b>		<b>44,291</b>	11,227
Other income and gains	4	<b>709</b>	1,339
Administrative and other operating expenses (Impairment losses)/reversal of impairment losses on financial assets and contract assets, net		<b>(10,799)</b>	(9,765)
		<u><b>(121)</b></u>	<u>13,458</u>
<b>Profit before income tax</b>	5	<b>34,080</b>	16,259
Income tax expense	6	<u><b>(1,150)</b></u>	<u>–</u>
<b>Profit and total comprehensive income for the period attributable to owners of the Company</b>		<u><b>32,930</b></u>	<u>16,259</u>
<b>Earnings per share attributable to owners of the Company</b>			
— Basic and diluted earnings per share (HK cents)	7	<u><b>0.823</b></u>	<u>0.406</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2023*

	<i>Notes</i>	<b>As at 30 September 2023 HK\$'000 (Unaudited)</b>	<b>As at 31 March 2023 HK\$'000 (Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	14,478	16,733
Right-of-use assets		50	67
		<b>14,528</b>	16,800
<b>Current assets</b>			
Contract assets	10	83,366	63,820
Trade and other receivables	11	48,167	37,659
Pledged bank deposit	12	6,317	6,138
Bank balances and cash	13	63,850	45,040
		<b>201,700</b>	152,657
<b>Total assets</b>		<b>216,228</b>	169,457
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
<b>Capital and reserves</b>			
Share capital	14	40,000	40,000
Reserves		99,178	66,248
<b>Total equity</b>		<b>139,178</b>	106,248
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	75,900	63,209
Current tax liabilities		1,150	–
<b>Total liabilities</b>		<b>77,050</b>	63,209
<b>Total equity and liabilities</b>		<b>216,228</b>	169,457
<b>Net current assets</b>		<b>124,650</b>	89,448
<b>Total assets less current liabilities</b>		<b>139,178</b>	106,248

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2023*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	(Accumulated losses)/ retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at 31 March 2023 (Audited)	40,000	56,625	198	9,425	106,248
Profit and total comprehensive income for the period	–	–	–	32,930	32,930
Balance as at 30 September 2023 (Unaudited)	40,000	56,625	198	42,355	139,178
Balance as at 31 March 2022 (Audited)	40,000	56,625	198	(9,507)	87,316
Profit and total comprehensive income for the period	–	–	–	16,259	16,259
Balance as at 30 September 2022 (Unaudited)	40,000	56,625	198	6,752	103,575

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	For the six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities and net cash generated from operating activities</b>	<b>19,409</b>	<b>24,832</b>
<b>Cash flows from investing activities</b>		
Interest received	622	28
Increase in pledged bank deposit	(179)	(6,158)
Release of bank deposit with original maturity over three months	–	2,005
Purchases of property, plant and equipment	(1,068)	(5,782)
Proceeds from disposal of property, plant and equipment	26	–
<b>Net cash used in investing activities</b>	<b>(599)</b>	<b>(9,907)</b>
<b>Net increase in cash and cash equivalents</b>	<b>18,810</b>	<b>14,925</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>45,040</b>	<b>15,959</b>
<b>Cash and cash equivalents at the end of period</b>	<b>63,850</b>	<b>30,884</b>
<b>Analysis of cash and cash equivalents</b>		
Pledged bank deposit and bank balances and cash	70,167	42,058
Less: pledged bank deposit	(6,317)	(11,174)
<b>Cash and cash equivalents</b>	<b>63,850</b>	<b>30,884</b>

# 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 2023, 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 Windward 3, Regatta Office Park, PO Box 1350, 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 2023 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2023.

### 3.1 Changes in accounting policy and disclosures

In the current interim period, the Group has applied, for the first time, the following new standards and amendments to standards issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17	Insurance Contracts and related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform — Pillar Two Model Rules

The adoption of the new standards and amendments to standards has had no material effect on the condensed consolidated financial statements of the Group.

### 4. REVENUE, OTHER INCOME AND GAINS AND SEGMENT INFORMATION

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

	For the six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
Main contracting	163,659	81,733
Sub-contracting	71,190	46,615
	<u>234,849</u>	<u>128,348</u>
<b>Other income and gains</b>		
Interest income	673	51
Gain on disposal of property, plant and equipment	26	—
Government grants ( <i>Note</i> )	—	1,221
Others	10	67
	<u>709</u>	<u>1,339</u>

*Note:* During the six months ended 30 September 2022, the Group recognised government grants in respect of COVID-19 pandemic which included subsidies of approximately HK\$1,221,000 under the employment support scheme.

## Disaggregation of revenue from contracts with customers

	For the six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Timing of revenue recognition</b>		
Over-time	<u>234,849</u>	<u>128,348</u>
<b>Types of goods or services</b>		
Foundation work services	<u>234,849</u>	<u>128,348</u>

## 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. PROFIT BEFORE INCOME TAX

	For the six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Included in direct costs:		
Depreciation of property, plant and equipment	2,532	2,172
Staff costs	12,810	11,921
Expense relating to short-term leases not included in the measurement of lease liabilities	140	57
Included in administrative and other operating expenses:		
Depreciation of property, plant and equipment	791	862
Depreciation of right-of-use assets	17	17
Expense relating to short-term leases not included in the measurement of lease liabilities	1,522	1,505
Staff costs, including directors' emoluments	<u>5,806</u>	<u>4,972</u>

## 6. INCOME TAX EXPENSE

Hong Kong Profits Tax of the Group has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the Period. (30 September 2022: no provision for Hong Kong Profits Tax was required since the Group had tax losses brought forward to set off against the period's assessable profit).

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current income tax	<b>1,150</b>	–

## 7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods. The calculation of basic earnings per share attributable to owners of the Company is based on the following:

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit attributable to owners of the Company	<b>32,930</b>	16,259
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	<b>4,000,000</b>	4,000,000
Basic earnings per share (HK cents)	<b>0.823</b>	0.406

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the relevant periods.

## 8. DIVIDENDS

No interim dividend was proposed by the Board for the Period (30 September 2022: Nil).

## 9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group invested approximately HK\$1,068,000 in the purchase of property, plant and equipment (30 September 2022: approximately HK\$5,782,000).

## 10. CONTRACT ASSETS

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Contract assets	84,963	65,343
Less: allowance for credit losses	<u>(1,597)</u>	<u>(1,523)</u>
	<u>83,366</u>	<u>63,820</u>

Notes:

- (a) 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.
- (b) The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.
- (c) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for contract assets. To measure the expected credit losses, contract assets have been grouped based on same credit risk characteristics.

## 11. TRADE AND OTHER RECEIVABLES

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Trade receivables	41,512	29,706
Less: allowance for credit losses	<u>(117)</u>	<u>(70)</u>
	41,395	29,636
Other receivables, deposits and prepayments	<u>6,772</u>	<u>8,023</u>
	<u>48,167</u>	<u>37,659</u>

Notes:

- (a) The credit period granted to customers ranges from 14 days to 45 days (31 March 2023: 14 days to 45 days) generally. Trade receivables are denominated in HK\$.
- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for trade receivables. To measure the expected credit losses, these receivables have been grouped based on same credit risk characteristics.

- (c) 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 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
0–30 days	31,676	24,596
31–60 days	8,384	5,040
61–90 days	1,335	–
	<u>41,395</u>	<u>29,636</u>

## 12. PLEDGED BANK DEPOSIT

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Pledged bank deposit	<u>6,317</u>	<u>6,138</u>

## 13. BANK BALANCES AND CASH

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Cash at banks	11,822	11,973
Bank deposit	<u>52,028</u>	<u>33,067</u>
Bank balances and cash	<u>63,850</u>	<u>45,040</u>

## 14. SHARE CAPITAL

	Number of ordinary shares	Share capital <i>HK\$'000</i>
Ordinary share of HK\$0.01 each		
<b>Authorised:</b>		
As at 30 September 2023 (Unaudited) and 31 March 2023 (Audited)	<u>10,000,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
As at 30 September 2023 (Unaudited) and 31 March 2023 (Audited)	<u>4,000,000,000</u>	<u>40,000</u>

## 15. TRADE AND OTHER PAYABLES

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Trade payables	55,819	49,879
Retention payables	10,637	9,518
Accruals and other payables	9,444	3,812
	<u>75,900</u>	<u>63,209</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 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
0–30 days	50,446	32,349
31–60 days	1,068	16,995
61–90 days	1,403	–
Over 90 days	2,902	535
	<u>55,819</u>	<u>49,879</u>

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

## 16. 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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Rental of office premises, car park and warehouse paid to:		
Hop Kee Development Co., Limited	343	270
Shun Tai Holdings Limited	1,148	1,148
	<u>1,491</u>	<u>1,418</u>

Note:

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

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

	For the six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	2,675	2,675
Post-employment benefits	24	27
	<u>2,699</u>	<u>2,702</u>

17. CAPITAL COMMITMENTS

	As at	As at
	30 September	31 March
	2023	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
— property, plant and equipment	5,270	—
	<u>5,270</u>	<u>—</u>

## **18. SURETY BONDS AND CONTINGENT LIABILITIES**

Certain customers of construction contracts undertaken by the Group require the Group entity to issue guarantees for performance of contracts in the form of surety bonds secured by pledged deposits. In addition, the Group entity provided a corporate indemnity to insurance companies which issued such surety bonds.

As at 30 September 2023, the outstanding amount of such surety bonds of which the Group entity provided a corporate indemnity was approximately HK\$9,808,000 (31 March 2023: approximately HK\$9,808,000).

Saved as disclosed above, as at 30 September 2023, the Group did not have any other material contingent liabilities.

## 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 (“**Hop Kee**”), the principal operating subsidiary, is registered under the Buildings Ordinance as a Registered Specialist Contractor under the sub-register of “Foundation Works” and “Site Formation Works” category since December 2009.

As at 30 September 2023, the Group had a total of 11 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\$464.9 million.

During the Period, the Group reported a profit before tax of approximately HK\$34.1 million compared to HK\$16.3 million for the corresponding period in 2022. The sharp increase in revenue captured from several sizable foundation projects in ongoing peak period and improvement in gross profit margin were mainly attributable to the implementation of a set of effective direct cost control measures, which serves as the major factor of the Group’s profit contribution. Nevertheless, the absence of non-recurring government grant through “Employment Support Scheme” of approximately HK\$1.2 million and the net reversal of impairment losses in respect of financial assets and contract assets of approximately HK\$13.5 million in the corresponding period in 2022 and the provision of liquidated and ascertained damages of certain foundation projects of approximately HK\$5.6 million as a result of unexpected delays in progress in the Period narrowed down the profit.

As tax losses brought forward for a wholly-owned subsidiary of the Group was forecasted to be utilised in full, the provision of Hong Kong Profits Tax expense of approximately HK\$1.2 million was made for the Period.

Throughout the Period, the economic recovery pace was slower than initial expectation with full of fierce competition in the foundation industry. The Group has demonstrated unremitting resilience and flexible adaptability so as to solidify our position and expand its market share. Besides, the unwavering execution of stringent cost control measures and material sourcing exploration are straight contributions to gross profit margin improvement. As a result, remarkable result for the Period was recorded.

Looking forward, the Group still remains optimistic about the prospects of the foundations work. Our management continues to grasp the business opportunities and potential in order to achieve profit growth and to add value for our shareholders.

## Financial Review

### *Revenue*

For the Period, the revenue of the Group has increased by approximately HK\$106.5 million, or approximately 83.0% compared to the corresponding period in 2022, from approximately HK\$128.3 million to approximately HK\$234.8 million. The rapid increase was mainly because several sizable foundation projects and undertaken by the Group is approaching completion during the Period.

### *Gross Profit and Gross Profit Margin*

For the Period, the gross profit of the Group has dramatically increased by approximately HK\$33.1 million compared to the corresponding period in 2022, from approximately HK\$11.2 million to approximately HK\$44.3 million. The gross profit margin has increased by 10.2 percentage points to approximately 18.9% compared to the corresponding period in 2022 of approximately 8.7%. The fast forward improvement in gross profit and gross profit margin is the achievements of adaptable procurement strategy, continuous effort on sourcing new channels for materials and implementation of effective direct cost control measures.

### *Other income and gains*

For the Period, the other income and gains have decreased by approximately HK\$0.6 million compared to the corresponding period in 2022, from approximately HK\$1.3 million to approximately HK\$0.7 million. The significant decrease was attributable to the absence of non-recurring government grants of approximately HK\$1.2 million through “Employment Support Scheme” in the corresponding period in 2022.

### *Administrative and other operating expenses*

For the Period, the administrative and other operating expenses have increased by approximately HK\$1.0 million or approximately 10.6% compared to the corresponding period in 2022. The increase was due to a rise in staff salaries and welfare during the Period.

### *Impairment losses on financial assets and contract assets*

For the Period, the Group recorded an impairment losses on financial assets and contract assets of approximately HK\$0.1 million as compared to a net reversal of impairment losses approximately HK\$13.5 million to the corresponding period in 2022. The net reversal of impairment losses in the corresponding period in 2022 represented a recovery of certain long outstanding trade receivables that had been impaired in the previous financial years.

### *Income tax expense*

A provision of Hong Kong Profits Tax expense of approximately HK\$1.2 million was made for a wholly-owned subsidiary of the Group, which is based on its estimated assessable profit after deduction of brought forward tax losses at Hong Kong's applicable tax rate of 16.5%, in the Period. No income tax expense was recorded in the corresponding period in 2022.

### *Net profit*

As a result of the aforesaid, the Group reported a net profit of approximately HK\$32.9 million compared to approximately HK\$16.3 million to the corresponding period in 2022.

### **Liquidity, Financial Position and Capital Structure**

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

As at 30 September 2023, the Group had total bank balances and cash and pledged bank deposit of approximately HK\$70.2 million (31 March 2023: approximately HK\$51.2 million).

As at 30 September 2023, the Group had no debts outstanding (31 March 2023: 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 2023, the gearing ratio (calculated as total borrowings divided by the total equity) was nil (31 March 2023: Nil).

### **Pledge of Assets**

As at 30 September 2023, the Group had approximately HK\$6.3 million of bank deposit being pledged to secure the banking facilities granted to the Group (31 March 2023: HK\$6.1 million).

## **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 Period.

## **Capital Expenditure**

During the Period, the Group invested approximately HK\$1.1 million in the purchase of property, plant and equipment. All these capital expenditures were financed by internal resources (30 September 2022: approximately HK\$5.8 million).

## **Surety Bonds and Contingent Liabilities**

Certain customers of construction contracts undertaken by the Group require the Group entity to issue guarantees for performance of contracts in the form of surety bonds secured by pledged deposits. In addition, the Group entity provided a corporate indemnity to insurance companies which issued such surety bonds.

As at 30 September 2023, the outstanding amount of such surety bonds of which the Group entity provided a corporate indemnity was approximately HK\$9.8 million (31 March 2023: approximately HK\$9.8 million).

Saved as disclosed above, as at 30 September 2023, the Group did not have any other 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**

During the Period, the Group had no significant investment.

## **Future Plans for Material Investment or Capital Assets**

Save as otherwise disclosed in this announcement, 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 (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**”) and the announcement of the Company dated on 8 January 2021. Such revised uses include: (i) acquisition of excavators, cranes and breakers; (ii) strengthening the workforce and manpower; (iii) increasing marketing efforts; (iv) funding of general working capital; (v) financing the up-front costs of projects; and (vi) financing the issuance of performance bonds. Details of the revised use of the proceeds are listed as below:

	Original allocation HK\$'000	Revised allocation HK\$'000	Actual usage up to 31 March 2023 HK\$'000	Actual usage during the Period HK\$'000	Actual usage up to 30 September 2023 HK\$'000	Unutilised usage up to 30 September 2023 HK\$'000	Expected timeline for fully utilising the remaining Net Proceeds
Acquiring excavators, cranes and breakers	55,000	41,000	39,322	140	39,462	1,538	On or before 31 March 2024
Strengthening the workforce and manpower	15,000	15,000	15,000	–	15,000	–	Not applicable
Increasing marketing efforts	6,200	4,200	4,200	–	4,200	–	Not applicable
Funding of general working capital	8,000	8,000	8,000	–	8,000	–	Not applicable
Financing the up-front costs of projects	–	12,000	12,000	–	12,000	–	Not applicable
Financing the issuance of performance bonds	–	4,000	4,000	–	4,000	–	Not applicable
Total	<u>84,200</u>	<u>84,200</u>	<u>82,522</u>	<u>140</u>	<u>82,662</u>	<u>1,538</u>	

*Note:* As at 30 September 2023, approximately HK\$82.7 million out of the Net Proceeds from the listing had been used. The expected timeline for utilising the remaining Net Proceeds is based on the best estimation of the Group taking into account of the present and future business market condition, and therefore is subject to change. The Group will continuously examine its actual development and the industry market condition and apply its remaining Net Proceeds of approximately HK\$1.5 million in category of “Acquiring excavators, cranes and breakers”. In addition, the Group considers to utilise the remaining Net Proceeds as soon as practicable by 31 March 2024.

## Employees and Remuneration Policy

As at 30 September 2023, the Group employed a total of 54 full-time employees (including executive Directors) as compared to a total of 97 full-time employees as at 31 March 2023. 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\$18.6 million compared to approximately HK\$16.9 million to the corresponding period in 2022.

## 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

### Interests of Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and the Associated Corporations

As at 30 September 2023, 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 Futures 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	51.0%
Mr. Wong Tony Yee Pong	Interest in a controlled corporation ( <i>Note</i> )	2,040,000,000	51.0%
Mr. Lai Kwok Fai	Interest in a controlled corporation ( <i>Note</i> )	2,040,000,000	51.0%

*Note:*

These 2,040,000,000 shares are held by May City Holdings Limited (“**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*

<b>Name of Directors</b>	<b>Name of associated corporation</b>	<b>Capacity/Nature</b>	<b>Number of shares held/ interested in</b>	<b>Percentage of interest</b>
Mr. Wong Yan Hung	May City	Beneficial interest	40	40.0%
Mr. Wong Tony Yee Pong	May City	Beneficial interest	30	30.0%
Mr. Lai Kwok Fai	May City	Beneficial interest	30	30.0%

Save as disclosed above, as at 30 September 2023, 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**

To the best of the Company's knowledge, as at 30 September 2023, the following shareholders (not being a Directors or chief executives of the Company disclosed above) had interest in the shares and 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:

<b>Name</b>	<b>Capacity/Nature</b>	<b>Number of shares held/ interested in</b>	<b>Percentage of interest</b>
May City	Beneficial interest ( <i>Note 1</i> )	2,040,000,000	51.0%
Ms. Choi Mei Chu	Interest of spouse ( <i>Note 2</i> )	2,040,000,000	51.0%
Ms. Lee Pik Yu, Kenji	Interest of spouse ( <i>Note 3</i> )	2,040,000,000	51.0%
Ms. Mak Kit Ling	Interest of spouse ( <i>Note 4</i> )	2,040,000,000	51.0%
Kingkey Investment Fund SPC — Kingkey Global Equity I Fund SP	Beneficial interest	204,000,000	5.1%

*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 2023, 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 was no outstanding share option as at 30 September 2023.

### **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 all the code provisions as set out in 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.

## **Constitutional Document**

The shareholders of the Company have approved the second amended and restated memorandum and articles of association (the “**New Memorandum and Articles**”) of the Company in the annual general meeting of the Company held on 7 September 2023 by way of special resolution and the New Memorandum and Articles has been published on the respective websites of the Stock Exchange and the Company.

## **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](http://www.hkexnews.hk)) and on the website of the Company ([www.swgrph.com](http://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, 23 November 2023

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