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 2017

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 2017 (the "**Review Year**"), together with the comparative figures for the corresponding year ended in 31 March 2016. This information should be read in conjunction with the prospectus of the Company dated 12 September 2016 (the "**Prospectus**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*3*	**218,648**	192,154
Direct costs		**(167,403)**	(146,465)
Gross profit		**51,245**	45,689
Other income and gain	*3*	**1,497**	880
Administrative and other operating expenses		**(28,226)**	(13,962)
Finance costs	*4*	**(435)**	(283)
Profit before income tax	*5*	**24,081**	32,324
Income tax expense	*6*	**(5,923)**	(6,771)
Profit and total comprehensive income for the year attributable to owners of the Company		**18,158**	25,553
Earnings per share attributable to owners of the Company			
— Basic and diluted earnings per share (HK cents)	*7*	**0.50**	0.80

Details of dividends are disclosed in Note 8 to the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENT OF FINANCIAL POSITION
As at 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**20,557**	22,645
Current assets			
Gross amounts due from customers for contract work	*9*	**14,925**	8,963
Trade and other receivables	*10*	**47,597**	46,039
Bank deposits		**42,663**	3,650
Current income tax recoverable		**1,362**	–
Cash and cash equivalents		**49,415**	25,967
		155,962	84,619
Total assets		**176,519**	107,264
EQUITY			
Equity attributable to owners of the Company			
Capital and reserves			
Share capital	*11*	**40,000**	200
Reserves		**116,809**	61,829
Total equity		**156,809**	62,029
LIABILITIES			
Non-current liabilities			
Finance lease liabilities		**2,938**	8,427
Deferred tax liabilities		**2,033**	1,751
		4,971	10,178
Current liabilities			
Gross amounts due to customers for contract work	*9*	**–**	3,456
Trade and other payables	*12*	**9,765**	22,668
Finance lease liabilities		**4,974**	5,499
Current income tax liabilities		**–**	3,434
		14,739	35,057
Total liabilities		**19,710**	45,235
Total equity and liabilities		**176,519**	107,264
Net current assets		**141,223**	49,562
Total assets less current liabilities		**161,780**	72,207

NOTES TO THE 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 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 2017, its parent and ultimate holding company is May City Holdings Limited ("**May City**"), a company incorporated in the British Virgin Islands (the "**BVI**") and owned as to 40% by Mr. Wong Yan Hung ("**Mr. YH Wong**"), 30% by Mr. Wong Tony Yee Pong ("**Mr. Tony Wong**") and 30% by Mr. Lai Kwok Fai ("**Mr. Lai**").

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

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

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange (the "**Reorganisation**"), the group entities were under the control of Mr. YH Wong, Mr. Tony Wong and Mr. Lai. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 18 May 2016. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. YH Wong, Mr. Tony Wong and Mr. Lai prior to and after the Reorganisation.

The consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the years presented in accordance with Accounting Guideline 5 "*Merger Accounting for Common Control Combinations*" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the years presented, or since their respective dates of incorporation, where this is a shorter period. The consolidated statement of financial position as at 31 March 2016 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date.

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 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, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

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 Group's accounting policies.

2.1.1 Change in accounting policy and disclosures

(a) New and amended standards adopted by the Group

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
HKFRS 14	Regulatory Deferred Accounts

The application of the amendments to HKFRSs 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Change in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted

The following new standards and amendments to existing standards have been published but not yet effective for the financial year beginning 1 April 2017 or after and which the Group has not early adopted.

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 15	Classifications to HKFRS 15 Revenue from Contracts with Customers[2]
Amendments to HKAS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 40	Transfer on Investment Property[2]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2014–2016[5]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 15 "*Revenue from Contracts with Customers*"

In July 2014, HKFRS 15 "*Revenue from Contracts with Customers*" was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "*Revenue*", HKAS 11 "*Construction Contracts*" and the related Interpretations when it becomes effective. As HKFRS 15 is effective for annual periods beginning on or after 1 January 2018, our Group expects to initially apply HKFRS 15 in our consolidated financial statements for the financial year ending 31 March 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Change in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, more disclosures are required by HKFRS 15.

The Group will adopt these new standards, amendments and interpretations in the period of initial application. It is not expected to have a significant impact on the Group's result of operations and its financial position.

3. REVENUE, OTHER INCOME AND GAIN 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 and gain recognised during the reporting period are as follow:

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Main contracting	**64,638**	55,856
Sub-contracting	**154,010**	136,298
	218,648	192,154
Other income and gain		
Rental income	**345**	302
Gain on disposal of property, plant and equipment	**92**	223
Interest income	**348**	20
Others	**712**	335
	1,497	880

3. REVENUE, OTHER INCOME AND GAIN AND SEGMENT INFORMATION (CONTINUED)

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. Therefore, no segment information is presented.

Information about the major customers

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

	2017	2016
	HK$'000	*HK$'000*
Customer A[3,5]	**108,469**	99,539
Customer B[2]	**NA[4]**	30,471
Customer C[2]	**NA[4]**	23,693
Customer D[2]	**34,659**	NA[4]
Customer E[1]	**27,565**	NA[4]

1 Revenue from main contracting.
2 Revenue from sub-contracting.
3 Revenue from both main contracting and sub-contracting.
4 The corresponding revenue did not contribute over 10% of the total revenue of the Group.
5 The customer represents a collective of companies within a group.

4. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on finance leases	**435**	283

5. PROFIT BEFORE INCOME TAX

	2017	2016
	HK$'000	*HK$'000*
Included in direct costs:		
Depreciation of owned assets	**1,397**	1,153
Depreciation of assets under finance leases	**2,203**	1,749
Staff costs	**24,130**	23,445
Operating lease rental in respect of		
— Plant and machinery	**4,025**	2,219
— Others	**41**	61
Included in administrative and other operating expenses:		
Auditors' remuneration	**750**	80
Depreciation of owned assets	**1,971**	696
Depreciation of assets under finance leases	**1,354**	1,871
Listing expenses	**9,175**	3,663
Operating lease rental in respect of		
— Premises	**1,010**	987
— Car parks	**84**	72
Staff costs, including directors' emoluments	**7,146**	4,381

6. INCOME TAX 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 for the year.

	2017	2016
	HK$'000	*HK$'000*
Hong Kong profits tax:		
Current tax on profits for the year	**5,482**	5,992
Adjustments in respective of prior year	**159**	–
Current income tax	**5,641**	5,992
Deferred income tax	**282**	779
Income tax expense	**5,923**	6,771

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 year.

	2017	2016
Profit attributable to owners of the Company (HK$'000)	**18,158**	25,553
Weighted average number of ordinary shares in issue (thousands of shares) *(Note (a))*	**3,605,479**	3,200,000
Basic earnings per share (HK cents)	**0.50**	0.80

(a) In determining the number of shares in issue, the total of 3,200,000,000 shares issued, 1 share issued on the incorporation of the Company, 200,010 shares issued on the Reorganisation of the Group and 3,199,799,989 shares issued on capitalisation issue were deemed to have been in issue since 1 April 2015.

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 year ended 31 March 2017.

8. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Interim dividends paid	**20,001**	16,200

During the year ended 31 March 2017, the Company declared and paid an interim dividend of HK$20,001,100 to then shareholders of the Company.

During the year ended 31 March 2016, an interim dividend of HK$16,200,000 was declared and paid by Hop Kee Construction Company Limited ("**Hop Kee Construction**"), a subsidiary of the Company, to its then equity holders prior to the Reorganisation.

The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

No final dividend was proposed by the Board for the year ended 31 March 2017.

9. GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2017	2016
	HK$'000	*HK$'000*
Gross amounts due from customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	**185,938**	116,506
Less: Progress billings received and receivables	**(171,013)**	(107,543)
	14,925	8,963
Gross amounts due to customers for contract work		
Progress billings received and receivables	**–**	28,807
Less: Contract costs incurred plus recognised profit less recognised losses	**–**	(25,351)
	–	3,456

10. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**31,063**	29,293
Retention receivables *(Note (c))*	**12,491**	13,312
Other receivables, deposits and prepayments	**4,043**	3,434
	47,597	46,039

Notes:

(a) The credit period granted to customers ranges from 30 to 60 days (2016: 14 to 60 days) generally. Trade receivables are denominated in HK$.

(b) The ageing analysis of the trade receivables based on invoice date are as follows:

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**23,536**	20,796
31–60 days	**7,527**	6,305
61–90 days	**–**	2,113
Over 90 days	**–**	79
	31,063	29,293

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) The ageing analysis of the trade receivables based on invoice date are as follows: (continued)

Trade receivables of approximately HK$23,536,000 as at 31 March 2017 were not yet past due (2016: approximately HK$26,386,000), and approximately HK$7,527,000 as at 31 March 2017 were past due but not impaired (2016: approximately HK$2,907,000). These relate to trade receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made. The ageing analysis of these trade receivables is as follows:

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**7,527**	2,828
Over 90 days	**–**	79
	7,527	2,907

Movements in the Group's provision for impairment of trade receivables are as follows:

	2017	2016
	HK$'000	*HK$'000*
Beginning of the year	**–**	1,636
Trade receivables written off as uncollectible	**–**	(1,636)
End of the year	**–**	–

(c) Retention receivables were not past due as at 31 March 2017, and were settled in accordance with the terms of respective contract (2016: Nil).

(d) The other classes within trade and other receivables do not contain impaired assets. The maximum exposure of credit risk at the end of the reporting period is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

11. SHARE CAPITAL

	Note	Number of shares	Share Capital *HK$'000*
Ordinary shares of HK$0.01 each			
Authorised:			
As at 1 April 2015 and 31 March 2016		–	–
Upon incorporation of the Company on 3 May 2016	*(a)*	38,000,000	380
Increase in number of authorised shares	*(b)*	9,962,000,000	99,620
As at 31 March 2017		**10,000,000,000**	**100,000**
Issued and fully paid:			
As at 1 April 2015 and 31 March 2016		–	–
Upon incorporation of the Company on 3 May 2016	*(a)*	1	–
Shares issued upon Reorganisation	*(c)*	200,010	2
Shares issued pursuant to the capitalisation issue	*(d)*	3,199,799,989	31,998
Shares issued pursuant to the share offer	*(e)*	800,000,000	8,000
As at 31 March 2017		**4,000,000,000**	**40,000**

Notes:

(a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 3 May 2016 with an initial authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each and one fully paid share was issued and allotted to the subscriber which was subsequently transferred to May City on the same date.

(b) Pursuant to the resolutions passed by the sole shareholder of the Company on 3 September 2016, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 divided into 10,000,000,000 shares by the creation of an additional 9,962,000,000 shares of HK$0.01 each, ranking pari passu in all respects with the existing shares.

(c) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of Umma Floral Limited ("**Umma Floral**"), a subsidiary of the Company from Mr. YH Wong, Mr. Tony Wong and Mr. Lai on 17 May 2016 and as consideration for the acquisition by the Umma Floral of the entire issued share capital of Hop Kee Construction and Hop Kee Machinery Transportation Company Limited, a subsidiary of the Company, from Mr. YH Wong, Mr. Tony Wong and Mr. Lai on 18 May 2016, the Company issued and allotted 10 shares and 200,000 shares to May City, all credited as fully paid respectively.

(d) Pursuant to a written resolution passed by the sole shareholder of the Company on 3 September 2016 and conditional upon the share premium account of the Company being credited as a result of the share offer, the Company authorised to allot and issued a total of 3,199,799,989 shares credited as fully paid at par to the holder of the Company's shares on the register of members of the Company at the close of business on 3 September 2016 by way of capitalisation of the sum of HK$31,997,999.89 standing to the credit of the share premium account of the Company.

(e) On 28 September 2016, upon its listing on the Main Board of the Stock Exchange, the Company issued 800,000,000 new ordinary shares at an offer price of HK$0.13 each and raised gross proceeds of approximately HK$104,000,000.

12. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**3,851**	16,737
Retention payables *(Note (b))*	**2,881**	2,688
Accruals and other payables	**3,033**	3,243
	9,765	22,668

Notes:

(a) Payment terms granted by suppliers are generally 0 to 60 days (2016: 0 to 60 days).

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

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**2,235**	13,002
31–60 days	**626**	2,497
61–90 days	**9**	1,238
Over 90 days	**981**	–
	3,851	16,737

(b) All the remaining balances were settled in accordance with the terms of respective contract.

(c) All trade and other payables are denominated in HK$.

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.

During the Review Year and up to the date of this announcement, the Group had been awarded 13 projects with original contract sum of approximately HK$165.1 million and had completed 14 projects with original contract sum of approximately HK$177.4 million.

As at 31 March 2017, 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) and the original contract sum of these projects are approximately HK$238.8 million.

According to the announcement of 2017 Policy Address, expediting and increasing supply of housing stock is the ultimate solution to address the housing-related issues. The projected supply of first hand residential private housing for the coming three to four years is about 90,000 units, which is a record high since the Government's regular release of supply statistics 12 years ago. As the Government will continue to increase the housing supply, the Group believes that more foundation projects will be launched in the near future.

Although certain unfavorable variables including keen competition in the foundation industry and high cost of production may exert pressure on the business of the Group, the Group will strive to implement stringent control over the production cost in order to achieve stable profit growth of the Group. Meanwhile, the Group will continue to strengthen its market position and remain positive for the future.

Financial Review

Revenue

For the Review Year, the revenue of the Group has increased by approximately HK$26.4 million, or approximately 13.7% compared to the corresponding year ended 31 March 2016, from approximately HK$192.2 million to approximately HK$218.6 million. The increase was primarily due to the increase in number of foundation projects undertaken by the Group during the Review Year.

Gross Profit and Gross Profit Margin

For the Review Year, the gross profit of the Group has increased by approximately HK$5.5 million, or approximately 12.0% compared to the corresponding year ended 31 March 2016, from approximately HK$45.7 million to approximately HK$51.2 million. The increase in gross profit was due to the substantial increase in revenue. The gross profit margin was at approximately 23.4%, which was similar to the corresponding year ended 31 March 2016.

Administrative Expenses

For the Review Year, the administrative and other operating expenses have increased by approximately HK$14.2 million or approximately 101.4% compared to the corresponding year ended 31 March 2016, from approximately HK$14.0 million to approximately HK$28.2 million. The increase was primarily due to the recognition of the one-off listing expenses during the Review Year.

Finance Cost

For the Review Year, the finance cost has increased by approximately HK$152,000 or approximately 53.7% compared to the corresponding year ended 31 March 2016, from approximately HK$283,000 to approximately HK$435,000. The increase was primarily due to the increase in our obligations under finance lease to finance the purchase of machinery during the Review Year as compared to the corresponding year ended 31 March 2016.

Profit attributable to owners of the Company

For the Review Year, the profit attributable to owners of the Company has decreased by approximately HK$7.4 million or approximately 28.9% compared to the corresponding year ended 31 March 2016, from approximately HK$25.6 million to approximately HK$18.2 million. The decrease was primarily due to the one-off listing expenses of approximately HK$9.2 million. If the one-off listing expenses are not taken into account, the Group would have an adjusted net profit of approximately HK$27.4 million.

Liquidity, Financial Position and Capital Structure

The shares of the Company (the "**Shares**") were successfully listed on the Main Board of the Stock Exchange on 28 September 2016 and there has been no change in capital structure of the Group since then.

As at 31 March 2017, the Group had total bank balances of approximately HK$92.1 million (31 March 2016: approximately HK$29.6 million). The increase was due to the net proceeds received from the Listing by the Company on 28 September 2016.

As at 31 March 2017, the gearing ratio of the Group, calculated by total bank borrowings (including finance lease liabilities) as a percentage of total equity was approximately 5.0% (31 March 2016: approximately 22.5%). The decrease was primarily due to the enlarged share capital of the Group as a result of the issuance of significant number of Shares in relation to the Listing.

Treasury Policy

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

Pledge of Assets

As at 31 March 2017, the Group had approximately HK$3.7 million of pledge bank deposits (31 March 2016: approximately HK$3.7 million), while approximately HK$10.7 million of net book value of our plant, machinery and equipment were pledged under finance leases (31 March 2016: approximately HK$15.8 million of net book value of our plant, machinery and equipment and motor vehicles were pledged under finance leases).

Exposure to Foreign Exchange Rate Risks

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

Capital Expenditure

During the Review Year, the Group invested approximately HK$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 31 March 2017, 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 apart from the Reorganisation as disclosed in the Prospectus.

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 put in the paragraph headed "Future Plans and Use of Proceeds" to 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 2017	Actual Usage up to 31 March 2017
	HK$'000	*HK$'000*
Acquisition of excavators, cranes and breakers	20,000	4,049
Strengthening the workforce and manpower	2,700	1,007
Increasing marketing efforts	600	600
Funding of general working capital	8,000	8,000
Total	31,300	13,656

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 2017, the Group employed a total of 54 full-time employees (including executive Directors), as compared to a total of 86 full-time employees as at 31 March 2016. 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$31.3 million compared to approximately HK$27.8 million in the corresponding year ended 31 March 2016.

CORPORATE GOVERNANCE/OTHER INFORMATION

Compliance with the Corporate Governance Code

The Group is committed to maintaining good corporate governance to safeguard the interest of shareholders and to achieve effective accountability. The Company has adopted the corporate governance code (the "**CG code**") contained in Appendix 14 of the Listing Rules. To the best knowledge of the Board, the Company has complied with the CG code since the date of the Listing 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 since the date of the Listing 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 is 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 2017.

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.

Compliance Adviser's Interests

As notified by the Company's compliance adviser, Dakin Capital Limited (the "**Compliance Adviser**"), as at 31 March 2017, except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 24 May 2016, the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Listing Rules.

Purchase, Sales or Redemption of the Company's Securities

The Shares of the Company were listed on 28 September 2016. Since the date of Listing 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 since the date of the Listing up to 31 March 2017.

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 since the date of the Listing and up to the date of this announcement.

Annual General Meeting ("AGM")

The 2017 AGM will be held on Thursday 7, September 2017. 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, 2 September 2017 to Thursday, 7 September 2017 (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, 31/F., 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Friday, 1 September 2017.

Audit Committee

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

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

Appreciation

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

Publication of Annual Results Announcement and Annual Report

The annual 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.shunwogroup.com). The annual report of the Company for the Review Year 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 June 2017

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