常滿控股有限公司
Sheung Moon Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8523

INTERIM REPORT 2018

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*This report, for which the directors (the "**Directors**") of Sheung Moon Holdings Limited (the "**Company**" or "**our**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company and its subsidiaries (collectively refer to as the "**Group**"). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr. Tang Sze Wo (*Chairman*)
Mr. Lai Yung Sang

Independent non-executive directors

Dr. Wong Kwok Yiu Chris
(appointed on 24 January 2018)
Mr. Wong Choi Chak
(appointed on 24 January 2018)
Mr. Leung Kim Hong
(appointed on 24 January 2018)

COMPANY SECRETARY

Ms. Chau Hing Ling

COMPLIANCE OFFICER

Mr. Tang Sze Wo

BOARD COMMITTEES

Audit committee

Mr. Wong Choi Chak (*Chairman*)
Dr. Wong Kwok Yiu Chris
Mr. Leung Kim Hong

Nomination committee

Mr. Leung Kim Hong (*Chairman*)
Dr. Wong Kwok Yiu Chris
Mr. Wong Choi Chak

Remuneration committee

Dr. Wong Kwok Yiu Chris (*Chairman*)
Mr. Wong Choi Chak
Mr. Leung Kim Hong

Risk management committee

Mr. Wong Choi Chak (*Chairman*)
Mr. Tang Sze Wo
Dr. Wong Kwok Yiu Chris
Mr. Leung Kim Hong

AUTHORISED REPRESENTATIVES

Mr. Tang Sze Wo
Ms. Chau Hing Ling

COMPANY'S WEBSITE

http://www.smcl.com.hk

AUDITOR

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Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room A, 15th Floor
Kings Tower
111 King Lam Street
Cheung Sha Wan
Kowloon
Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

China Construction Bank (Asia)
Corporation Limited
CCB Tower
3 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

8523

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a local contractor in the civil engineering construction industry and is principally engaged in the provision of site formation works, road and drainage works and structural works in both public and private sectors in Hong Kong. The Group is an approved contractor of the government of Hong Kong Special Administrative Region (the "**Government**"), a registered general building contractor and a specialist contractor (site formation works) with the Hong Kong Buildings Department.

In order to cope with the Group's business expansion, the shares of the Company was successfully listed on the GEM of the Stock Exchange on 12 February 2018 ("**Listing Date**").

During the six months ended 30 September 2018, the Group has been awarded 4 civil engineering construction projects with total original contract sum amounted to approximately HK$68.9 million.

As at 30 September 2018, the Group had a total of 35 civil engineering construction projects on hand with total original contract sum amounted to approximately HK$529.4 million.

During the period, the Group continued to purchase new site equipment for its projects to replace those leased equipment. This allows more flexibility and better control by the Group in utilising its site equipment. Occasionally, the Group may lease out its site equipment when they are temporarily idle.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK$48.7 million, or 49.5%, from approximately HK$98.3 million for the six months ended 30 September 2017 to approximately HK$147.0 million for the six months ended 30 September 2018. Such increase was primarily due to that more construction projects have been undertaken by the Group during the period as compared to the corresponding period of the previous year.

Direct Costs

Direct costs primarily comprised subcontracting fee, direct labour cost, construction materials, rental of site equipment, depreciation of site equipment, petrol consumption as well as transportation expenses. Direct cost increased by approximately HK$48.2 million, or 58.2%, from approximately HK$82.7 million for the six months ended 30 September 2017 to approximately HK$130.9 million for the six months ended 30 September 2018. Such increase was mainly attributable to the increase in subcontracting fees and labour wages as a result of increase in construction projects undertaken. More material costs, transportation expenses and petrol have been consumed. There was also increase in depreciation charges for new site equipment purchased during the period to replace some of the leased machines.

Gross profit and Gross Profit Margin

As a result of the increase in revenue, the Group's gross profit increased by approximately HK$0.6 million, or 3.8%, from approximately HK$15.6 million for the six months ended 30 September 2017 to approximately HK$16.2 million for the six months ended 30 September 2018. However, gross profit margin went down from 15.9% for the six months ended 30 September 2017 to 11.0% for the six months ended 30 September 2018. Such drop was due to the overall rise in subcontracting cost and the increase in number of site workers and their overtime pay to meet the tight deadline of a project as well as the increase in price of construction materials.

Other Income

Other income for the six months ended 30 September 2018 comprises rental income from leasing of site equipment, rental income from the Group's investment property and one-off sponsorship money received from the Group's stakeholders for congratulating the listing of the Company's shares on the Stock Exchange.

Other income increased by approximately HK$988,000 or 9,880% from approximately HK$10,000 for the six months ended 30 September 2017 to approximately HK$998,000 for the six months ended 30 September 2018. Such increase was mainly due to short-term rental income received from leasing out of the site equipment which are temporarily not in use by the Group and the rental income from leasing of the Group's investment property. No such income has been generated by the Group in the corresponding period of last year.

Other Gains and Losses

Other gain for the six months ended 30 September 2017 mainly comprised fair value gain of approximately HK$800,000 on the Group's investment property and fair value loss of approximately HK$620,000 on the Company's convertible notes while other gain for the six months ended 30 September 2018 comprised only the fair value gain of approximately HK$100,000 on the Group's investment property.

Administrative Expenses

Administrative expenses increased by approximately HK$1.8 million or 51.4% from approximately HK$3.5 million for the six months ended 30 September 2017 to approximately HK$5.3 million for the six months ended 30 September 2018. The increase was mainly due to the increase in payment of professional fees and hiring of senior staff after listing of the Company's shares on the Stock Exchange and the increase in employees' salaries and welfare so as to maintain the Group's competitiveness in the industry.

Finance Costs

Finance costs decreased by approximately HK$0.7 million or 43.8% from approximately HK$1.6 million for the six months ended 30 September 2017 to approximately HK$0.9 million for the six months ended 30 September 2018. The decrease was mainly due to reduction in interest expenses as a result of the retirement of the convertible notes issued.

Listing Expenses

No further listing expenses were incurred for the six months ended 30 September 2018. The amount of listing expenses incurred for the corresponding period in last year was approximately HK$5.3 million.

Taxation

Taxation expenses decreased by approximately HK$0.1 million or 6.5% from approximately HK$1.9 million for the six months ended 30 September 2017 to approximately HK$1.8 million for the six months ended 30 September 2018. Such decrease was due to the two-tiered profits tax regime introduced by the Government for year of assessment 2017/18.

As a result of the above, the Group recorded a profit of approximately HK$9.3 million for the six months ended 30 September 2018 (six months ended 30 September 2017: profit of approximately HK$3.5 million).

PROSPECT

In the recent annual policy speech, the Hong Kong Chief Executive proposed a large scale reclamation plan to build an 1,700 hectares artificial island in the east of Lantau Island and turn the reclaimed land into a residential and business hub. If a green light is finally given to this huge project, it is expected that there will be more opportunity in public construction and civil engineering works arising from and incidental to this reclamation project. The Directors are confident that the Group will continue to benefit from the infrastructure policy implemented by the Government in order to promote economic growth.

2018 will remain busy for the Hong Kong construction industry. The Directors believe that the Group's construction business will remain strong and stable. With a proven track record and strong foothold in the industry, the Group will endeavour to maintain a steady growth in its construction business so as to maximise shareholders' return.

Liquidity and Financial Resources

During the period under review, the Group's source of funds was primarily from the cash generated from operating activities. The Group also utilised bank borrowings to finance its operations. As at 30 September 2018, the Group had a healthy financial position with net assets amounted to approximately HK$119.6 million (31 March 2018: approximately HK$110.3 million). Net current assets stood at approximately HK$56.1 million (31 March 2018: approximately HK$67.7 million). As at 30 September 2018, shareholder's equity amounted to approximately HK$119.6 million (31 March 2018: approximately HK$110.3 million). Current assets amounted to approximately HK$151.0 million (31 March 2018: approximately HK$141.3 million), mainly comprising trade and other receivables, contract assets, bank balances and cash (excluding pledged bank deposits of HK$21.0 million which has been classified as non-current asset (31 March 2018: HK$3.0 million)). Current liabilities amounted to approximately HK$95.3 million (31 March 2018: approximately HK$73.7 million), mainly comprising trade and other payables and accruals, contract liabilities, tax payable, bank borrowings and obligations under finance leases.

As at 30 September 2018, the Group's bank balances and cash (including pledged bank deposits of approximately HK$21.0 million) amounted to approximately HK$35.8 million (31 March 2018: approximately HK$42.6 million). Net asset value per share was HK$0.30 (31 March 2018: HK$0.28).

As at 30 September 2018, the gearing ratio of the Group, which is based on the ratio of interest bearing borrowings and obligations under finance leases to total equity, was 46.2% (31 March 2018: 33.6%). Such increase was mainly due to the increase in bank borrowings and new site equipment purchased under hire purchase arrangement as a result of increase in construction activities during the period under review.

As the Company was successfully listed on GEM on the Listing Date, the Group's source of funds can further be satisfied by using a combination of cash generated from operating activities, bank loans and the net proceeds from the listing and other fund raised from the capital markets from time to time.

Capital Structure

As at 30 September 2018, the share capital of the Group comprised only ordinary shares. The capital structure of the Group mainly consists of borrowings from banks, obligations under finance leases and equity attributable to owners of the Group, comprising issued share capital, share premium, retained profits and other reserves. Borrowings from banks were mainly denominated in Hong Kong dollars and were secured by pledged bank deposits and investment property.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the six months ended 30 September 2018, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

Significant Investments Held

As at 30 September 2018, the Group did not have any significant investments held (31 March 2018: nil).

Charges on the Group's Assets

As at 30 September 2018, the Group's property, plant and equipment with an aggregate carrying amounts of approximately HK$24.2 million (31 March 2018: approximately HK$25.0 million) and investment property of approximately HK$14.3 million (31 March 2018: approximately HK$14.2 million) were pledged for obligations under finance leases, while bank deposits of approximately HK$21.0 million (31 March 2018: HK$3.0 million) was pledged to secure bank borrowings to the Group.

Foreign Exchange Exposure

The Group's operating activities such as revenue, direct costs, expenses, monetary assets and liabilities are all transacted and denominated in Hong Kong dollars. The Group currently has no foreign currency hedging policy as the exposure to foreign exchange risk is very rare. Nevertheless, the Group will consider hedging significant foreign currency exposure should the need arise.

Contingent Liabilities

As at 30 September 2018, the Group did not have any material contingent liabilities (31 March 2018: nil).

Capital Commitment

As at 30 September 2018, the Group did not have any significant capital commitment (31 March 2018: nil).

Future Plans for Material Investments and Capital Assets

Save as disclosed in the prospectus, the Group did not have other plan for material investments and capital assets.

Employees and Remuneration Policies

As at 30 September 2018, the Group had a total staff (including the Directors) of approximately 280 employees (31 March 2018: 260). Total staff cost including Directors' remuneration for the six months ended 30 September 2018 amounted to approximately HK$45.3 million (year ended 31 March 2018: approximately HK$67.1 million). The remuneration package offered by the Group to its employees includes salary and discretionary bonuses. In general, the Group determines employee salaries based on individual employee's qualifications, position and seniority. Employees performance will be assessed annually, which forms the basis of the Group's decisions with respect to salary increment, discretionary bonuses and promotions.

Use of proceeds

The net proceeds from the listing (after deducting the underwriting fees and other listing expenses borne by the Company) amounted to approximately HK$30.0 million. After the listing, part of these proceeds have been applied for the purposes as set out in the section headed the "Future Plans And Use Of Proceeds" in the prospectus.

An analysis of the planned usage of net proceeds as stated in the prospectus and the actual utilisation of the net proceeds from the Listing Date up to 30 September 2018 are set out as below:

Business objective as stated in the prospectus	**Planned use of net proceeds from the Listing Date to 30 September 2018[1]** *HK$ million*	**Actual use of net proceeds from the Listing Date to 30 September 2018** *HK$ million*
To reduce financial cost and increase profit return	2.1	2.1
To expand and increase our service capacity	12.0	11.1
General working capital of our Group	2.4	2.4

Notes:

1. As disclosed in the prospectus, the estimated net proceeds from the listing, after deduction of the underwriting fees and expenses paid by the Company in connection therewith, were approximately HK$25 million. The actual net proceeds received by the Company were approximately HK$30 million. The Company intends to adjust the difference of approximately HK$5 million to each business strategies in the same proportion as the original funds applied as shown in the prospectus.

2. As at 30 September 2018, the unused net proceeds have been placed as deposits into licensed banks in Hong Kong.

Comparison of Business Objective with Actual Business Progress

During the period between the Listing Date and 30 September 2018, the Group has utilised approximately HK$15.6 million from the net proceeds received from listing to expand its business. An analysis comparing the intended business objectives as set out in the prospectus with the Group's actual business progress for the period from the Listing Date to 30 September 2018 is set out below:

Business strategy as stated in the prospectus	Implementation activities up to 30 September 2018 as stated in the prospectus	Actual business progress up to 30 September 2018
To reduce financial cost and increase profit return	Company to reduce financial costs by repaying short-term loans	Part of the bank borrowings and obligations under finance leases were repaid
To expand and increase our service capacity	Company to acquire additional site equipment including: • 4 excavators • 3 bulldozers • 4 generators • 2 grab lorries • 2 water-spraying cars	All additional site equipment purchased
General working capital of our Group	Initial investments (preliminary site inspection, labor, material procurement) for new project	Initial investments (including preliminary site inspection, labor, material procurement) for new project completed

Notes:

1. The business objectives as stated in the prospectus were based on the best estimation of the future industry conditions made by the Group at the time of preparing the prospectus. The actual use of net proceeds was applied in accordance with the actual industry conditions.

2. Since the listing of the Company on the Listing Date, the Directors have been constantly reviewing and comparing the Group's business strategies as disclosed in the prospectus with changing industry conditions in order to ensure the net proceeds are applied in the most effective ways and in the best interest of the Group.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and the six months ended 30 September 2018

The board of directors (the "**Board**") of Sheung Moon Holdings Limited is pleased to present the unaudited consolidated results of the Group for the three months and six months ended 30 September 2018, together with the comparative figures for the corresponding period in 2017 as follows:

	NOTES	Three months ended 30 September 2018 HK$'000 (unaudited)	Three months ended 30 September 2017 HK$'000 (unaudited)	Six months ended 30 September 2018 HK$'000 (unaudited)	Six months ended 30 September 2017 HK$'000 (unaudited)
Revenue	3	**74,465**	56,123	**147,025**	98,306
Direct costs		**(66,915)**	(46,783)	**(130,854)**	(82,673)
Gross profit		**7,550**	9,340	**16,171**	15,633
Other income		**312**	10	**998**	10
Other gains and losses	4	**100**	200	**100**	180
Administrative expenses		**(2,646)**	(1,790)	**(5,308)**	(3,495)
Finance costs	5	**(556)**	(841)	**(929)**	(1,642)
Listing expenses		**–**	(2,276)	**–**	(5,310)
Profit before taxation	6	**4,760**	4,643	**11,032**	5,376
Taxation	7	**(633)**	(1,413)	**(1,773)**	(1,896)
Profit and total comprehensive income for the period attributable to owners of the Company		**4,127**	3,230	**9,259**	3,480
Earnings per share (HK cents)	8				
– Basic and diluted		**1.03**	1.24	**2.31**	1.40

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	NOTES	**As at 30 September 2018 HK$'000 (unaudited)**	As at 31 March 2018 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*10*	**41,797**	39,938
Investment property	*11*	**14,300**	14,200
Rental deposits		**80**	80
Pledged bank deposits	*14*	**21,000**	3,000
		77,177	57,218
Current assets			
Trade and other receivables	*12*	**39,059**	51,657
Amounts due from customers for contract work		**–**	50,049
Contract assets	*13*	**97,525**	–
Bank balances and cash		**14,890**	39,643
		151,474	141,439
Current liabilities			
Trade and other payables	*15*	**36,961**	43,313
Amounts due to customers for contract work		**–**	2,243
Contract liabilities	*13*	**9,855**	–
Tax payable		**1,590**	1,400
Bank borrowings	*16*	**42,570**	22,188
Obligations under finance leases		**4,375**	4,712
		95,351	73,656
Net current assets		**56,123**	67,693
Total assets less current liabilities		**133,300**	124,911
Non-current liabilities			
Obligations under finance leases		**8,327**	10,136
Deferred taxation		**5,411**	4,472
		13,738	14,608
Net assets		**119,562**	110,303
Capital and reserves			
Share capital		**4,000**	4,000
Reserves		**115,562**	106,303
Total equity		**119,562**	110,303

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note b)	Property revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2017 (audited)	–	–	10,262	2,695	20,868	33,825
Profit and total comprehensive income for the period (unaudited)	–	–	–	–	3,480	3,480
Issue of shares of the Company	– (Note a)	10,000 (Note c)	–	–	–	10,000
At 30 September 2017 (unaudited)	– (Note a)	10,000	10,262	2,695	24,348	47,305
At 1 April 2018 (audited)	4,000	63,701	10,262	2,695	29,645	110,303
Profit and total comprehensive income for the period (unaudited)	–	–	–	–	9,259	9,259
At 30 September 2018 (unaudited)	4,000	63,701	10,262	2,695	38,904	119,562

Notes:

a) Amount less than HK$1,000.

b) The other reserve of the Group represents the difference between the nominal amount of the share capital of Sheung Moon Construction Limited, an indirect wholly-owned subsidiary of the Company, and the nominal amount of share capital of Attaway Developments Limited ("**Attaway Developments**"), a direct wholly-owned subsidiary of the Company, pursuant to the group reorganisation.

c) On 28 June 2017, the Company acquired the entire issued share capital of Attaway Developments from Mr. Tang Sze Wo ("**Mr. SW Tang**") and in consideration and exchange, the Company allotted and issued 21,999 shares to Chrysler Investments Limited ("**Chrysler Investments**"), credited as fully paid up. On the same date, the Company allotted and issued 4,000 shares to Chrysler Investments at the cash consideration of HK$10,000,000.

The Group resulting from the group reorganisation, which involves interspersing the Company and Attaway Developments between Mr. SW Tang and Sheung Moon Construction Company is continued to be controlled by Mr. SW Tang and is regarded as a continuing entity. Accordingly, the consolidated statements of profit or loss and other comprehensive income and consolidated statements of changes in equity for the three months period ended 30 June 2017 have been included the results and changes in equity of the companies, comprising the Group as if the group structure upon the completion of the group reorganisation had been in existence throughout the periods, or since their respective dates of incorporation, where there are shorter periods.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash used in operating activities	**(12,549)**	(15,227)
Net cash used in investing activities	**(28,971)**	(6,342)
Net cash from financing activities	**16,767**	18,301
Net decrease in cash and cash equivalents	**(24,753)**	(3,268)
Cash and cash equivalents at the beginning of the period	**39,643**	13,158
Cash and cash equivalents at the end of the period	**14,890**	9,890

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and the six months ended 30 September 2018

1. GENERAL

Sheung Moon Holdings Limited (the "**Company**") was incorporated and registered in the Cayman Islands as an exempted company with limited liability on 31 May 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 February 2018. The addresses of the registered office and the principal place of business of the Company in Hong Kong are located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Room A, 15th Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong, respectively. The immediate holding company of the Company is Chrysler Investments Limited ("**Chrysler Investments**"), which is incorporated in the British Virgin Islands ("**BVI**") and owned by Mr. Tang Sze Wo.

The Company acts as an investment holding company and its subsidiaries are principally engaged in provision of civil engineering construction services.

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 – Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants as well as the applicable disclosures requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Rules**").

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment property that are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") as set out below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2018.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the accounting period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the provision of civil engineering construction services

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers – continued

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

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 Group satisfies a performance obligation

Under HKFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers – continued

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 – continued

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers – continued

2.1.2 Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	NOTE	Carrying amounts previously reported at 31 March 2018 HK$'000	Reclassification HK$'000	Carrying amounts under HKFRS 15 at 1 April 2018 HK$'000
Current assets				
Trade and other receivables	(a)	51,657	(15,594)	36,063
Amounts due from customers for contract works	(a)	50,049	(50,049)	–
Contract assets	(a)	–	65,643	65,643
Current liabilities				
Trade and other payables	(b)	43,313	(6,871)	36,442
Amounts due to customers for contract work	(b)	2,243	(2,243)	–
Contract liabilities	(b)	–	9,114	9,114

Notes:

(a) As at 1 April 2018, amounts due from customers of approximately HK$65,643,000 in respect of construction contracts previously included in amounts due from customers for contract works and trade and other receivables were reclassified to contract assets.

(b) As at 1 April 2018, advances from customers of approximately HK$9,114,000 in respect of connection construction contracts previously included in trade and other payables and amounts due to customers for contract work were reclassified to contract liabilities.

The following tables summaries the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers – continued

2.1.2 Summary of effects arising from initial application of HKFRS 15 – continued

Impact on the condensed consolidated statement of financial position as at 30 September 2018

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Current assets			
Trade and other receivables	39,059	20,233	59,292
Amounts due from customers for contract work	–	77,292	77,292
Contract assets	97,525	(97,525)	–
Current liabilities			
Trade and other payables	36,961	7,542	44,503
Amounts due to customers for contract work	–	2,313	2,313
Contract liabilities	9,855	(9,855)	–

There is no material impact on the recognition timing and amounts of revenue recognised upon the application of HKFRS 15 on 1 April 2018.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and related amendments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and finance lease receivables and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and related amendments – continued

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and related amendments – continued

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 – continued

Classification and measurement of financial assets – continued

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date and considered that no changes in classification and measurement on the Group's financial assets was required.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 including trade and other receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and other receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and related amendments – continued

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 – continued

Impairment under ECL model – continued

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Measurement and recognition of ECL

The measurement of ECL is a function of probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the discount rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial assets unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of account receivables and term notes where the corresponding adjustment is recognised through a loss allowance account.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and related amendments – continued

2.2.2 Summary of financial impact arising from initial application of ECL model under HKFRS 9

As at 1 April 2018, the Directors of the Company reviewed and assessed the Group's existing financial assets at amortised cost for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with HKFRS 9.

Loss allowance for financial assets at amortised cost is measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition. At the date of initial application on 1 April 2018, the additional credit loss allowance is immaterial to the condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

(A) Revenue

Revenue represents the fair value of amounts received and receivable from the civil engineering construction services by the Group to external customers. The Group's revenue is solely derived from civil engineering construction services during both periods.

Timing of revenue recognition

	Three months ended 30 September		**Six months ended 30 September**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Recognised over time:				
– civil engineering construction services	**74,465**	56,123	**147,025**	98,306

(B) Segment information

For the purpose of resources allocation and performance assessment, the management of the Group, being the chief operating decision makers, review the overall results of the Group as a whole. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

4. OTHER GAINS AND LOSSES

	Three months ended 30 September		Six months ended 30 September	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Fair value change of investment property	**100**	200	**100**	800
Loss on fair value change of convertible loan notes	**–**	–	**–**	(620)
	100	200	**100**	180

5. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interests on:				
Bank borrowings	**393**	223	**598**	420
Finance leases	**163**	112	**331**	237
	556	335	**929**	657
Effective interest expense on convertible loan notes	**–**	506	**–**	985
	556	841	**929**	1,642

6. PROFIT BEFORE TAXATION

	Three months ended 30 September		Six months ended 30 September	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit before taxation has been arrived at after charging:				
Directors' remuneration	**795**	859	**1,590**	1,618
Other staff costs (including direct labour cost)	**21,601**	16,255	**42,045**	25,504
Retirement benefit scheme contributions (including direct labour cost)	**833**	717	**1,633**	985
Total staff cost	**23,229**	17,831	**45,268**	28,107
Auditor's remuneration	**250**	175	**400**	250
Depreciation on property, plant and equipment	**1,342**	805	**2,580**	1,493
Minimum lease payments under operating leases in respect of				
– rented premises	**166**	123	**295**	242
– site equipment	**2,683**	5,268	**4,685**	8,635
	2,849	5,391	**4,980**	8,877

7. TAXATION

	Three months ended 30 September		Six months ended 30 September	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Tax charge comprises:				
Hong Kong Profits Tax – current tax	**295**	916	**834**	916
Deferred taxation	**338**	497	**939**	980
	633	1,413	**1,773**	1,896

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25% and profits above HK$2 million will be taxed at 16.5%.

Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime for the six month ended 30 September 2018.

For the six months ended 30 September 2017, Hong Kong Profits Tax was calculated at a 16.5% of the estimated assessable profit.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company for the period is based on the following data:

	Three months ended 30 September		Six months ended 30 September	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Earnings				
Profits for the period attributable to owners of the Company for the purpose of basic earnings per share	**4,127**	3,230	**9,259**	3,480
Effect of dilutive potential ordinary shares:				
Interest on convertible loan notes	**–**	–	**–**	–
Loss on fair value change of convertible loan notes	**–**	–	**–**	–
Earnings for the purpose of diluted earnings per share	**4,127**	3,230	**9,259**	3,480

	'000	*'000*	***'000***	*'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**400,000**	260,000	**400,000**	249,314
Effect of dilutive potential ordinary shares on convertible loan notes	**–**	–	**–**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per shares	**400,000**	260,000	**400,000**	249,314

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the group reorganisation and the capitalisation issue as detailed in the prospectus of the Company dated 31 January 2018 had been effective on 1 April 2017 and has been retrospectively adjusted for the deemed bonus element of the capital contribution relating to the shares of the Company issued to Chrysler Investments on 28 June 2017.

8. EARNINGS PER SHARE – CONTINUED

The effect of dilutive potential ordinary shares on convertible loan notes is not considered as the condition for the conversion of convertible loan notes has not been fulfilled as at 30 September 2017 and the number of ordinary shares contingently issuable upon the conversion of the convertible loan notes depends on whether the listing of the Company's shares on the GEM of the Stock Exchange takes place. Accordingly, the computation of diluted earnings per share for the three months ended 30 September 2017 and six months ended 30 September 2017 does not assume the conversion of the convertible loan notes.

9. DIVIDENDS

No dividend was paid, declared or proposed for the six months ended 30 September 2018 (2017: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired property, plant and equipment of approximately HK$4,439,000 (six months ended 30 September 2017: approximately HK$8,540,000).

11. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
As at 1 April 2018 (audited)	14,200
Fair value change during the period	100
As at 30 September 2018 (unaudited)	14,300

The investment property is situated in Hong Kong.

The Group's property interests held under operating leases to earn rentals for capital appreciation purposes are measured using the fair value and are classified and accounted as investment property.

As at 30 September 2018, the Group has pledged the investment property to secure general banking facilities granted to the Group.

12. TRADE AND OTHER RECEIVABLES

The following is an ageing analysis of the trade receivables presented based on the customer's payment certificate date at the end of the reporting period:

	30 September 2018 *HK$'000* **(unaudited)**	31 March 2018 *HK$'000* (audited)
0 – 30 days	**34,575**	15,669
31 – 60 days	**30**	17,624
61 – 90 days	**472**	–
91 – 180 days	**450**	450
	35,527	33,743

13. CONTRACT ASSETS AND CONTRACT LIABILITIES

	30 September 2018 *HK$'000* (unaudited)
Contract assets	
Civil engineering construction services	97,525
Contract liabilities	
Civil engineering construction services	(9,855)

The Group has rights to considerations from customers for the provision of civil engineering services. Contract assets arise when the Group has right to consideration for completion of civil engineering construction services and not yet billed under the relevant contracts, and their right is conditioned on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables when such right becomes unconditional other than the passage of time. Remaining rights and performance obligations in a particular contract is accounted for and presented on a net basis, as either a contract asset or a contract liability. If the progress payment exceeds the revenue recognised to date under the input method, then the Group recognises a contract liability for the difference.

Included in carrying amounts of contract assets/contract liabilities as stated above comprises retention money of HK$20,233,000 as at 30 September 2018.

Retention money is unsecured and interest-free and represented the monies withheld by customers of contract works recoverable after the completion of default liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, usually being 1 year from the date of completion of respective civil engineering construction services projects.

14. PLEDGED BANK DEPOSITS

Pledged bank deposits of HK$21,000,000 (31 March 2018: HK$3,000,000) represent bank deposits pledged to a bank to secure bank borrowings of the Group amounting to approximately HK$33,255,000 (31 March 2018: approximately HK$10,161,000) as at 30 September 2018 which is expected to be recovered after one year and therefore classified as non-current assets. The pledged bank deposits carried fixed interest rate at 0.01% per annum as at 30 September 2018 and 31 March 2018.

15. TRADE AND OTHER PAYABLES

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**15,168**	7,515
31 – 60 days	**2,471**	1,306
61 – 90 days	**1,482**	–
Over 90 days	**6,739**	7,031
	25,860	15,852

16. BANK BORROWINGS

At 30 September 2018, the Group's outstanding bank borrowings amounting to approximately HK$42,570,000 (31 March 2018: approximately HK$22,188,000). The borrowings carry interest at fixed-rate 4.84% and variable-rate 2.84% to 4.00% (31 March 2018: fixed-rate 4.84% and variable-rate 2.84% to 4.00%).

17. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group had no transactions with related party during six months ended 30 September 2018 and 2017.

Compensation of key management personnel

Compensation of key management personnel represents the remuneration of the directors of the Company during the period, which is disclosed in note 6 to the condensed consolidated financial statements.

18. PLEDGE OF ASSETS

At the end of the reporting period, the Group's secured borrowings and obligations under finance leases were secured by the following assets:

	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Investment property	**14,300**	14,200
Property, plant and equipment	**24,213**	25,049
Bank deposits	**21,000**	3,000
	59,513	42,249

19. CAPITAL COMMITMENT

The Group had no capital commitment as at 30 September 2018 and 31 March 2018.

20. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2018 and 31 March 2018.

21. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements for the three months and six months ended 30 September 2018 were approved and authorised for issue by the Board on 6 November 2018.

DISCLOSURE OF INTERESTS

(a) Interests and short position of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or the associated corporations

As at 30 September 2018, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required as otherwise to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.68 of the GEM Listing Rules, were as follows:

(i) Interests in the company

Name of Director	Capacity/ Nature of interest	Number of shares	Approximate percentage of shares
Mr. Tang Sze Wo (*note*)	Interest in a controlled corporation	260,000,000 (long position)	65.0%

Note:

These shares are held by Chrysler Investments Limited, a company incorporated in the British Virgin Islands and the entire share capital of which is held by Mr. Tang Sze Wo. Mr. Tang Sze Wo is deemed to be interested in these shares held by Chrysler Investments Limited under the SFO.

(ii) Interests in associated corporation(s) of the company

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares	Percentage of shareholding
Mr. Tang Sze Wo	Chrysler Investments Limited	Beneficial owner	1 (long position)	100%

Save as disclosed above, as at 30 September 2018, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or (ii) which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO or (iii) which were otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rules 5.46 to 5.68 of the GEM Listing Rules.

(b) Interests and short positions of the substantial shareholders in the shares and underlying shares

So far as the Directors are aware, as at 30 September 2018, the following persons (other than a Director or chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or are directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group:

Name of Shareholder	Capacity/ Nature of interest	Number of shares	Approximate percentage of shareholding in our Company
Chrysler Investments Limited *(Note 1)*	Beneficial owner	260,000,000 (long position)	65%
Mr. Tang Siu Fung Calvin *(Note 2)*	Interest in a controlled corporation	40,000,000 (long position)	10%
Sigma Square Investment Management Limited *(Note 2)*	Interest in a controlled corporation	40,000,000 (long position)	10%
Altivo Ventures Limited *(Note 2)*	Beneficial owner	40,000,000 (long position)	10%

Notes:

1. Chrysler Investments Limited is a company incorporated in the British Virgin Islands and the entire share capital of which is held by Mr. Tang Sze Wo.

2. These shares are held by Altivo Ventures Limited, a company incorporated in the British Virgin Islands and the entire share capital of which is held by Sigma Square Investment Management Limited, a company incorporated in Hong Kong and wholly owned by Mr. Tang Siu Fung Calvin, the son of Mr. Tang Sze Wo. Each of Sigma Square Investment Management Limited and Mr. Tang Siu Fung Calvin is deemed to be interested in these shares held by Altivo Ventures Limited under the SFO.

Save as disclosed above, and as at 30 September 2018, the Directors and chief executive are not aware of any person, other than a Director or chief executive of the Company, who has an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

CHANGES IN THE DIRECTORS' INFORMATION

There were no changes in the information of the Directors required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules since the date of the Company's 2018 annual report.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "**Share Option Scheme**") on 24 January 2018 for the purpose of motivating the Eligible Participants (as defined below) to optimize their performance efficiency for the benefit of the Group and attracting and retaining or otherwise maintaining on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group. "**Eligible Participants**" refer to (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; or (ii) any directors (including executive, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; or (iii) any advisers, consultants, suppliers, customers, agents and related entities to the Company or any of its subsidiaries.

The maximum number of shares of the Company (the "**Shares**") in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Hong Kong public offering, being 40,000,000 Shares. The maximum number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme to any one person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. However, a grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the relevant option, which must be a day on which the Stock Exchange is open for the business of dealing in securities; and

(c) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date grant of the relevant option.

The Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to the termination of the Share Option Scheme and not then exercised shall continue to valid and exercisable subject to and in accordance with the Share Option Scheme.

No share options were granted, exercised, cancelled or lapsed by the Company under the Share Option Scheme during the period from 1 April 2018 to 30 September 2018 and there were no outstanding share options under the Share Option Scheme as at 30 September 2018 and up to the date of this report.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (for the six months ended 30 September 2017: nil).

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed in this report, at no time during the period from 1 April 2018 to 30 September 2018 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six-months period ended 30 September 2018, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the shares.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company, having made specific enquiry of all Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the period from 1 April 2018 to 30 September 2018.

COMPETITION AND CONFLICT OF INTERESTS

As far as the Directors are aware of, none of the Directors nor the controlling shareholders nor any of their respective associates (as defined in the GEM Listing Rules) had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group or had any other conflict of interests with the Group during the six months ended 30 September 2018.

OTHER INFORMATION

INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, LY Capital Limited ("**LY Capital**"), neither LY Capital nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 September 2018.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") on 24 January 2018, which operates under terms of reference approved by the Board. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Wong Choi Chak, Dr. Wong Kwok Yiu Chris and Mr. Leung Kim Hong. Mr. Wong Choi Chak is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited condensed consolidated financial results of the Group for the three months and six months ended 30 September 2018.

CORPORATE GOVERNANCE PRACTICES

The Directors consider that incorporating the core elements of good corporate governance in the management structure and internal control procedures of the Group would help to balance the interest of the shareholders, customers and employees of the Company. The Board has adopted the principles and the code provision of the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (the "**CG Code**") to ensure that the Group's business activities and decision making processes are regulated in a proper and prudent manner.

During the six-months period ended 30 September 2018, the Company has complied with the code provisions of the CG Code.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE GEM LISTING RULES

The Company does not have any other disclosure obligations under Rules 17.22,17.23 and 17.24 of the GEM Listing Rules.

By order of the Board
Sheung Moon Holdings Limited
Tang Sze Wo
Chairman

Hong Kong, 6 November 2018

As at the date of this report, the executive directors of the Company are Mr. Tang Sze Wo and Mr. Lai Yung Sang; and the independent non-executive directors of the Company are Dr. Wong Kwok Yiu Chris, Mr. Wong Choi Chak and Mr. Leung Kim Hong.