

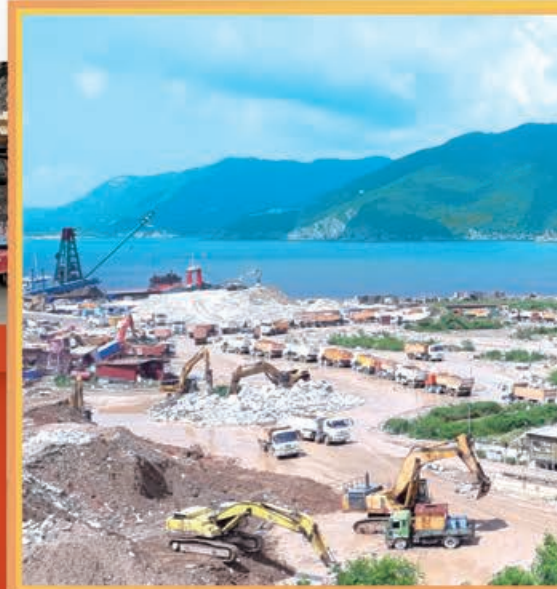
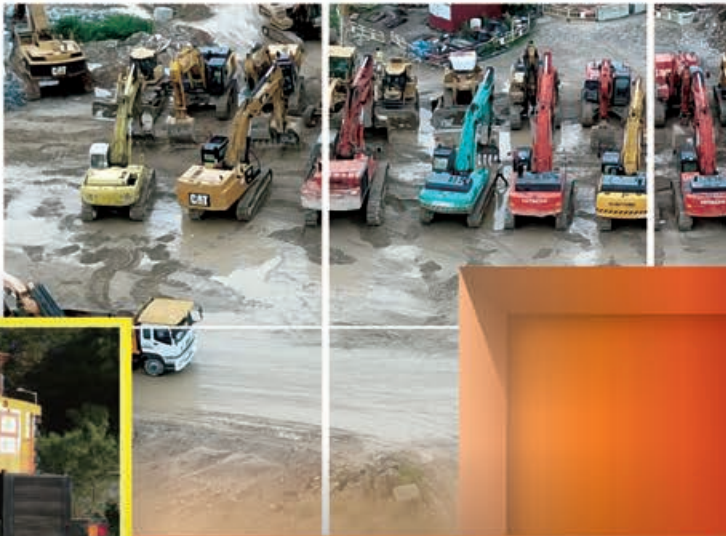


常滿控股有限公司

Sheung Moon Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8523



**INTERIM
REPORT**

2019

Characteristics of GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Main board. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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.*

This report will remain on the “Latest Listed Company Information” page on the GEM website at www.hkgem.com for at least 7 days from the day of its posting. This report will also be published on the Company’s website at www.smcl.com.hk



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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
Mr. Wong Choi Chak
Mr. Leung Kim Hong

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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COMPLIANCE ADVISER

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REGISTERED OFFICE

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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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 54
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**”).

The following table sets out the number of contracts awarded to and completed by the Group and the aggregate contract sum during the period under review:

	Number of Contracts	Aggregate contract sum <small>(Note)</small> <i>HK\$' million</i>
As at 1 April 2019		
Existing contracts	36	630.9
During the six months ended 30 September 2019		
New contracts awarded	3	245.8
As at 30 September 2019	39	876.7

Note: The aggregate contract sum is based on a total of all contract sums stated in the initial agreements between the Group’s customers and the Group. It does not include additions and modifications due to subsequent variation orders. The final revenue recognised from a contract may differ from the contract sum initially agreed between the contracting parties.

During the six months ended 30 September 2019, the Group has been awarded 3 civil engineering construction projects with total original contract sum amounted to approximately HK\$245.8 million.

As at 30 September 2019, the Group had a total of 39 civil engineering construction projects on hand with total original contract sum amounted to approximately HK\$876.7 million. More experienced engineering professionals and site workers have been recruited by the Group during the period under review. They have been assigned to respective project according to the progress and skill requirements of that project.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group continued to add new site equipment to replace existing leased equipment. Occasionally, the Group may lease out its site equipment when they are temporarily not in use. During the period under review, the Group did not lease out its site equipment as they were all fully utilised.

As disclosed in the previous quarterly report, the Group is in the process of upgrading its site formation works and roads and drainage works licences granted by the Works Branch of the Development Bureau of the Government from existing category Group B of site formation works and category Group A of roads and drainage works to category Group C and category Group B respectively. Such approval processes have reached their final stages. If the licences are granted, the Group will be able to bid larger public construction contracts with higher contract sums and better profit margins.

During the period under review, the Group has been granted more banking facilities to cope with the increase in demand for operating funds as a result of business expansion. The Group has also strengthened its accounting and administrative department, contract department and civil engineering department by recruiting more experienced professionals to lead the departments.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$150.1 million, or 102.1%, from approximately HK\$147.0 million for the six months ended 30 September 2018 to approximately HK\$297.1 million for the six months ended 30 September 2019. Such increase was primarily due to the significant increase in variation orders (i.e. subsequent additions or modifications to the scope of works laid out in the original construction contracts) from the contract of Tseung Kwan O Area 137 and increase in certified workdone billed for ongoing projects during the period under review.

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\$137.6 million, or 105.1%, from approximately HK\$130.9 million for the six months ended 30 September 2018 to approximately HK\$268.5 million for the six months ended 30 September 2019. Such increase was mainly attributable to the increase in labour force, inhouse workers as well as subcontractors' workers, as a result of increase in construction works and variation orders undertaken. Likewise, more direct costs such as construction materials, rental of site equipment, transportation expenses and petrol have been consumed during the period under review. There was also an increase in depreciation charge arising from new site equipment purchased during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and Gross Profit Margin

As a result of the increase in revenue, the Group's gross profit increased by approximately HK\$12.5 million, or 77.6%, from approximately HK\$16.1 million for the six months ended 30 September 2018 to approximately HK\$28.6 million for the six months ended 30 September 2019. However, gross profit margin went down from 11.0% for the six months ended 30 September 2018 to 9.6% for the six months ended 30 September 2019. Such decrease was due to the significant increase in number of site workers hired by the Group and substantial overtime pay incurred for compensating the site workers in order to meet the tight deadline of the Group's construction projects as well as the overall increase in price of construction materials, site maintenance expenses and petrol expenses.

Other Income

Other income for the six months ended 30 September 2019 comprised bank interest income and rental income from the Group's investment property while other income for the corresponding period in last year comprised rental income from leasing of site equipment, rental income from the Group's investment property and one-off sponsorship money received from stakeholders for congratulation on the successful listing of the Company's Shares on the Stock Exchange. Other income decreased by approximately HK\$0.7 million or 70.0% from approximately HK\$1.0 million for the six months ended 30 September 2018 to approximately HK\$0.3 million for the six months ended 30 September 2019. Such decrease was mainly attributable to no rental income received from leasing of site equipment during the period under review as all site equipment was fully utilized by the Group.

Other Gains and Losses

There was no other gains or losses for the six months ended 30 September 2019. Other gain for the six months ended 30 September 2018 solely comprised fair value gain of approximately HK\$100,000 on the Group's investment property.

Administrative Expenses

Administrative expenses increased slightly by approximately HK\$0.4 million or 7.5% from approximately HK\$5.3 million for the six months ended 30 September 2018 to approximately HK\$5.7 million for the six months ended 30 September 2019. The increase was mainly due to the increase in number of senior staff after successful 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. Besides more entertainment expenses were incurred in maintaining and fostering customer relationships during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Costs

Finance costs increased by approximately HK\$0.9 million or 100% from approximately HK\$0.9 million for the six months ended 30 September 2018 to approximately HK\$1.8 million for the six months ended 30 September 2019. The increase was mainly due to the increase in bank interest as more banking facilities were required to cope with the rapid growth in construction activities undertaken.

Taxation

Taxation expenses increased by approximately HK\$1.7 million or 94.4% from approximately HK\$1.8 million for the six months ended 30 September 2018 to approximately HK\$3.5 million for the six months ended 30 September 2019. Such increase was due to the increase in assessable profits for the six months ended 30 September 2019 and the increase in deferred tax provided as a result of additions of site equipment.

As a result of the above, the Group recorded a profit of approximately HK\$17.9 million for the six months ended 30 September 2019 (six months ended 30 September 2018: approximately HK\$9.3 million).

PROSPECT

Hong Kong has all along been facing the problem of insufficient land supply for developing and building of residential apartments. To tackle this difficult issue, the Government has proposed an extremely large scale reclamation plan to build a huge 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 a lot of opportunities in public construction and civil engineering works will be created from this megaproject. 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.

As a large number of long term infrastructure projects in Hong Kong will be carried out at the same time or one after the other, it is expected that the prospect for the construction industry in Hong Kong will be very prosperous. Looking to the future, the Group will continue to strengthen its technical skill in the civil engineering field on the one hand and pursue innovation in management and high quality of workmanship on the other in order to enhance the competitiveness of the Group.

The Directors are fully aware of the series of demonstrations going on for months in Hong Kong. Such public unrest may hit the economy of Hong Kong and affect the livelihood of Hong Kong people. However, the Directors are of the view that such unrest is temporary in nature and it has no impact on the current construction activities and the future business of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

The Directors are optimistic that the Group's construction business will remain strong and continue to grow with tremendous potentials. 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 the return of the Company's shareholders (the "Shareholders").

Liquidity and Financial Resources

During the year 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. Details of bank borrowings at 30 September 2019 are set out in note 16 to the condensed consolidated financial statements. As at 30 September 2019, the Group had a healthy financial position with net assets amounted to approximately HK\$152.9 million (31 March 2019: approximately HK\$134.9 million). Net current assets stood at approximately HK\$73.3 million (31 March 2019: approximately HK\$64.2 million). As at 30 September 2019, the Shareholders' equity amounted to approximately HK\$152.9 million (31 March 2019: approximately HK\$134.9 million). Current assets amounted to approximately HK\$214.4 million (31 March 2019: approximately HK\$181.8 million), mainly comprising trade and other receivables, contract assets, amount due from a joint operation, bank balances and cash (excluding pledged bank deposits of HK\$21.1 million which has been classified as non-current asset (31 March 2019: HK\$21.1 million)). Increase in current assets was mainly attributable to the increase in bank balances as a result of settlement of trade receivables by clients just before the financial statement closing date.

Current liabilities amounted to approximately HK\$141.1 million (31 March 2019: approximately HK\$117.6 million), mainly comprising trade and other payables and accruals, contract liabilities, tax payable, bank borrowings and lease liabilities. Increase in current liabilities was mainly due to increase in trade payable as a result of increase in construction activities. Another reason for the increase in current liabilities was the increase in provision for taxation as a result of increase in assessable profits during the six months ended 30 September 2019.

As at 30 September 2019, the Group's bank balances and cash (including pledged bank deposits of approximately HK\$21.1 million) amounted to approximately HK\$57.4 million (31 March 2019: approximately HK\$27.5 million). The increase in bank balances and cash was due to large amount of trade receivable was settled just before financial statements closing date. Net asset value per Share was HK\$0.38 as at 30 September 2019 (as at 31 March 2019: HK\$0.34).

As at 30 September 2019, the gearing ratio of the Group, which is based on the ratio of interest bearing borrowings and lease liabilities to total equity, was 41.4% (31 March 2019: 51.0%). Such decrease was mainly due to the repayment of some bank loans just before the financial statements closing date. The unutilised bank facilities was amounted to approximately HK\$44.0 million as at 30 September 2019.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure

As at 30 September 2019, the share capital of the Group comprised only ordinary shares. The capital structure of the Group mainly consists of borrowings from banks, lease liabilities 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. Details of pledged bank deposits as at 30 September 2019 are set out in note 14 to the condensed consolidated financial statements.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the six months ended 30 September 2019, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

Significant Investments Held

As at 30 September 2019, the Group did not have any significant investments held (31 March 2019: nil).

Charges on the Group's Assets

As at 30 September 2019, the Group's property, plant and equipment with an aggregate carrying amount of approximately HK\$32.5 million (31 March 2019: approximately HK\$26.9 million) was pledged to finance equipment purchases, while investment property of approximately HK\$14.3 million (31 March 2019: approximately HK\$14.3 million) and bank deposits of approximately HK\$21.1 million (31 March 2019: approximately HK\$21.1 million) were pledged to secure bank borrowings for financing the Group's operating activities. Details of pledged of assets as at 30 September 2019 are set out in note 18 to the condensed consolidated financial statements.

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 2019, the Group did not have any material contingent liabilities (31 March 2019: nil).

Capital Commitment

As at 30 September 2019, the Group did not have any significant capital commitment (31 March 2019: 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Employees and Remuneration Policies

As at 30 September 2019, the Group had a total staff (including the Directors) of approximately 450 employees (as at 31 March 2019: 350). Total staff cost including Directors' remuneration for the six months ended 30 September 2019 amounted to approximately HK\$75.1 million (for the six months ended 30 September 2018: approximately HK\$45.2 million). The remuneration package offered by the Group to its employees includes salaries 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

Our estimated net proceeds from the Hong Kong Public Offering of the Offer Shares (the "Public Offer") were approximately HK\$25.0 million. The actual 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 and would be used as follows.

Business strategy as stated in the Prospectus	From the Listing Date to 31 March 2018 HK\$' million	For the six months ended 30 September 2018 HK\$' million	For the six months ended 31 March 2019 HK\$' million	For the six months ended 30 September 2019 HK\$' million	For the six months ending 31 March 2020 HK\$' million	Total HK\$' million
To expand and increase our service capacity	0	12.0	3.0	0	0	15.0
To capture the market growth in the public and private sector	0	0	1.5	2.3	3.7	7.5
To expand the accounting and administrative team	0	0	0.2	1.3	1.5	3.0
To reduce financial cost and increase profit return	2.1	0	0	0	0	2.1
General working capital of our Group	0	2.4	0	0	0	2.4
Total	2.1	14.4	4.7	3.6	5.2	30.0

MANAGEMENT DISCUSSION AND ANALYSIS

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 2019 are set out as below:

Business strategy as stated in the Prospectus	Percentage of total net proceeds	Planned applications <i>HK\$' million</i>	Planned use of net proceeds from the	Actual use of net proceeds from the	Unutilised net proceeds as at 30 September 2019 <i>HK\$' million</i>
			Listing Date to 30 September 2019 <i>HK\$' million</i>	Listing Date to 30 September 2019 <i>HK\$' million</i>	
To expand and increase our service capacity	50%	15.0	15.0	15.0	-
To capture the market growth in the public and private sector	25%	7.5	3.8	3.8	-
To expand the accounting and administrative team	10%	3.0	1.5	1.5	-
To reduce financial cost and increase profit return	7%	2.1	2.1	2.1	-
General working capital of our Group	8%	2.4	2.4	2.4	-
Total	100%	30.0	24.8	24.8	-

The net proceeds from the Public Offer were used and expected to be used according to the intentions previously disclosed in the Prospectus. As at the date of this report, there was no material change or material delay in the use of proceeds of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Comparison of Business Objective with Actual Business Progress

During the period between the Listing Date and 30 September 2019, the Group has utilised approximately HK\$24.8 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 2019 is set out below:

Business strategy as stated in the Prospectus	Implementation activities up to 30 September 2019 as stated in the Prospectus	Actual business progress up to 30 September 2019
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: <ul style="list-style-type: none">• 5 excavators• 4 bulldozers• 4 generators• 4 grab lorries• 3 water-spraying cars	All additional site equipment and lorries have been purchased

MANAGEMENT DISCUSSION AND ANALYSIS

Business strategy as stated in the Prospectus	Implementation activities up to 30 September 2019 as stated in the Prospectus	Actual business progress up to 30 September 2019
To capture the market growth in the public and private sector	<p>Company to:</p> <ul style="list-style-type: none"> • Expand projects team for the business growth of the Group including a project manager, two quantity surveyors, a foreman, a safety officers and an engineer • Provide remuneration for existing and incoming project management team including 1 project manager, 2 qualitative surveyors, 1 foreman, 1 safety officer and 1 engineer • Provide staff training including occupational safety and health, environmental sustainability, construction supervision, advanced construction techniques, and technology and management 	<ul style="list-style-type: none"> • A project manager, two quantity surveyors, a foreman, two safety officers and an engineer have been recruited • Remuneration for existing and incoming project management team including 1 project manager, 2 qualitative surveyors, 1 foreman, 1 safety officer and 1 engineer have been provided • Staff training including occupational safety and health, environmental sustainability, construction supervision, advanced construction techniques, and technology and management have been provided

MANAGEMENT DISCUSSION AND ANALYSIS

Business strategy as stated in the Prospectus	Implementation activities up to 30 September 2019 as stated in the Prospectus	Actual business progress up to 30 September 2019
To expand the accounting and administrative team	<ul style="list-style-type: none"> • Company to expand the finance and administrative team by recruiting a cost accountant, an internal auditor, a procurement manager, and a human resources manager • Provide remuneration for existing and incoming accounting and administrative management team including cost accountant, internal auditor, procurement manager, and human resources manager • Set up IT system and program 	<ul style="list-style-type: none"> • A cost accountant, an internal auditor, a procurement manager, and a human resources manager has been recruited • Remuneration for existing and incoming accounting and administrative management team including cost accountant, internal auditor, procurement manager, and human resources manager have been provided • IT system and program have been set up
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 were 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.

EVENTS AFTER THE REPORTING PERIOD

The Group had no significant event after the end of the reporting period and up to the approval date of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and the six months ended 30 September 2019

The board of directors (the “**Board**”) of the Company hereby announces the unaudited condensed consolidated results of the Group for six months ended 30 September 2019, together with the comparative figures for the corresponding period in 2018 as follows:

	NOTES	Three months ended 30 September		Six months ended 30 September	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	3	154,021	74,465	297,069	147,025
Direct costs		(140,054)	(66,915)	(268,479)	(130,854)
Gross profit		13,967	7,550	28,590	16,171
Other income		123	312	304	998
Other gains and losses	4	–	100	–	100
Administrative expenses		(2,896)	(2,646)	(5,652)	(5,308)
Finance costs	5	(959)	(556)	(1,839)	(929)
Profit before taxation	6	10,235	4,760	21,403	11,032
Taxation	7	(2,001)	(633)	(3,465)	(1,773)
Profit and total comprehensive income for the period attributable to owners of the Company		8,234	4,127	17,938	9,259
Earnings per share – Basic (HK cents)	8	2.06	1.03	4.48	2.31

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	NOTES	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	65,056	48,357
Investment property	11	14,300	14,300
Pledged bank deposit	14	21,109	21,122
		<u>100,465</u>	<u>83,779</u>
Current assets			
Trade and other receivables	12	87,072	101,108
Amount due from a joint operation		8,336	–
Contract assets	13	82,768	74,283
Bank balances and cash		36,266	6,411
		<u>214,442</u>	<u>181,802</u>
Current liabilities			
Trade and other payables	15	81,970	47,951
Contract liabilities	13	5,185	5,234
Tax payable		4,053	2,815
Bank borrowings	16	44,217	53,984
Obligations under finance leases		–	7,637
Lease liabilities		5,684	–
		<u>141,109</u>	<u>117,621</u>
Net current assets		<u>73,333</u>	<u>64,181</u>
Total assets less current liabilities		<u>173,798</u>	<u>147,960</u>
Non-current liabilities			
Obligations under finance leases		–	7,149
Lease liabilities		13,454	–
Deferred taxation		7,493	5,898
		<u>20,947</u>	<u>13,047</u>
Net assets		<u>152,851</u>	<u>134,913</u>
Capital and reserves			
Share capital		4,000	4,000
Reserves		148,851	130,913
Total equity		<u>152,851</u>	<u>134,913</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note a)	Property revaluation reserve HK\$'000 (Note b)	Retained profits HK\$'000	Total HK\$'000
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)	<u>4,000</u>	<u>63,701</u>	<u>10,262</u>	<u>2,695</u>	<u>38,904</u>	<u>119,562</u>
At 1 April 2019 (audited)	4,000	63,701	10,262	2,695	54,255	130,913
Profit and total comprehensive income for the period (unaudited)	—	—	—	—	17,938	17,938
At 30 September 2019 (unaudited)	<u>4,000</u>	<u>63,701</u>	<u>10,262</u>	<u>2,695</u>	<u>72,193</u>	<u>148,851</u>

Notes:

- (a) 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.
- (b) During the year ended 31 March 2017, the use of property of the Group had been changed from owner-occupation to leasing out for rental income. The leasehold land and building with net book value of HK\$10,505,000 were transferred from property, plant and equipment to investment property at the date of the end of owner-occupation. Upon the change of intended use, the difference of HK\$2,695,000 between the net book value and the fair value of the property of HK\$13,200,000 was recognised in other comprehensive income and accumulated in "property revaluation reserve".

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash generated from (used in) operating activities	<u>59,331</u>	<u>(12,549)</u>
Net cash used in investing activities	<u>(11,101)</u>	<u>(28,971)</u>
Net cash (used in) generated from financing activities	<u>(18,375)</u>	<u>16,767</u>
Net increase (decrease) in cash and cash equivalents	29,855	(24,753)
Cash and cash equivalents at the beginning of the period	<u>6,411</u>	<u>39,643</u>
Cash and cash equivalents at the end of the period	<u>36,266</u>	<u>14,890</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and the six months ended 30 September 2019

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 amended, consolidated or supplemented from time to time) 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 (“**Mr. SW Tang**”).

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

The unaudited 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**”) and the new principal accounting policies 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 2019 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 March 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and the six months ended 30 September 2019

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

Application of new and amendments to HKFRSs

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 mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases” (“**HKAS 17**”), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and the six months ended 30 September 2019

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” – continued

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 – continued

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of leasehold land and buildings that has a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and the six months ended 30 September 2019

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” – continued

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 – continued

As a lessee – continued

Right-of-use assets – continued

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in “property, plant and equipment”, the same line item as that within which the corresponding underlying assets would be presented if they were owned.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and the six months ended 30 September 2019

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” – continued

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 – continued

As a lessee – continued

Lease liabilities – continued

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and the six months ended 30 September 2019

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” – continued

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 – continued

As a lessee – continued

Lease liabilities – continued

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and the six months ended 30 September 2019

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” – continued

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 – continued

As a lessee – continued

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and the six months ended 30 September 2019

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” – continued

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 – continued

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets under property, plant and equipment at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

The Group recognised lease liabilities of HK\$14,925,000 and right-of-use assets under property, plant and equipment of HK\$139,000 at 1 April 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and the six months ended 30 September 2019

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” – continued

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 – continued

As a lessee – continued

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.00%.

	At 1 April 2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	512
Less: Recognition exemption - short-term leases	(364)
	<u>148</u>
Lease liabilities discounted at relevant incremental borrowing rates	(9)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	139
Add: Obligations under finance leases recognised at 31 March 2019 <i>(note)</i>	<u>14,786</u>
Lease liabilities as at 1 April 2019	<u><u>14,925</u></u>
Analysed as	
Current	7,678
Non-current	<u>7,247</u>
	<u><u>14,925</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and the six months ended 30 September 2019

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” – continued

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 – continued

As a lessee – continued

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Property, plant and equipment <i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<u>139</u>

Note: In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 amounting to HK\$139,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK\$7,637,000 and HK\$7,149,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and the six months ended 30 September 2019

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” – continued

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 – continued

As a lessee – continued

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 April 2019 <i>HK\$'000</i>
Non-current Assets			
Property, plant and equipment	–	139	139
Current Liabilities			
Lease liabilities	–	7,678	7,678
Obligations under finance leases	7,637	(7,637)	–
Non-current liabilities			
Lease liabilities	–	7,247	7,247
Obligations under finance leases	7,149	(7,149)	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and the six months ended 30 September 2019

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

New principal accounting policies

Interests in a joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and the six months ended 30 September 2019

3. REVENUE AND SEGMENT INFORMATION

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 in Hong Kong during both periods.

(i) Revenue from contract with customers

Revenue from provision of civil engineering construction services during both periods are analysed as follows:

	Three months ended 30 September		Six months ended 30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Civil engineering construction contracts recognised over time	<u>154,021</u>	<u>74,465</u>	<u>297,069</u>	<u>147,025</u>

(ii) Performance obligations for contracts with customers

The Group provides construction services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the stage of completion of the contract using input method.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. When the Group receives a deposit before construction commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and the six months ended 30 September 2019

3. REVENUE AND SEGMENT INFORMATION – CONTINUED

Revenue – continued

(ii) Performance obligations for contracts with customers – continued

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from one to two years from the date of the practical completion of the construction. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the construction services performed comply with agreed upon specifications and such assurance cannot be purchased separately.

Segment information

The executive directors of the Company, being the chief operating decision maker (“CODM”), regularly review revenue analysis by nature of business. The executive directors of the Company considered the operating activities of civil engineering construction services as a single operating segment. The operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, and is regularly reviewed by the executive directors of the Company. The executive directors of the Company review the overall results, assets and liabilities of the Group as a whole to make decisions about resources allocation and performance evaluation. Accordingly, no further analysis of this single operating segment is presented.

4. OTHER GAINS AND LOSSES

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Fair value change of investment property	–	100	–	100

5. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Interests on:				
Bank borrowings	636	393	1,234	598
Finance leases	–	163	–	331
Lease liabilities	323	–	605	–
	959	556	1,839	929

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and the six months ended 30 September 2019

6. PROFIT BEFORE TAXATION

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Profit before taxation has been arrived at after charging:				
Directors' remuneration	795	795	1,590	1,590
Staff costs (including direct labour cost)	37,714	21,601	70,773	42,045
Retirement benefit scheme contributions (including direct labour cost)	1,590	833	2,775	1,633
Total staff cost	<u>40,099</u>	<u>23,229</u>	<u>75,138</u>	<u>45,268</u>
Auditor's remuneration	290	250	540	400
Depreciation on property, plant and equipment	2,151	1,342	4,042	2,580
Lease payments under operating leases in respect of rented premises:				
– short term leases	123	–	296	–
– minimum lease payments	–	166	–	295
	<u>123</u>	<u>166</u>	<u>296</u>	<u>295</u>
Lease payments under operating leases in respect of site equipment:				
– short term leases	10,783	–	20,063	–
– minimum lease payments	–	2,683	–	4,685
	<u>10,783</u>	<u>2,683</u>	<u>20,063</u>	<u>4,685</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and the six months ended 30 September 2019

7. TAXATION

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Tax charge comprises:				
Hong Kong Profits Tax – current tax	1,197	295	1,871	834
Deferred taxation	804	338	1,594	939
	2,001	633	3,465	1,773

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 months ended 30 September 2018 and 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and the six months ended 30 September 2019

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	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Earnings				
Profits for the period attributable to owners of the Company for the purpose of basic earnings per share	<u>8,234</u>	<u>4,127</u>	<u>17,938</u>	<u>9,259</u>
	'000 (unaudited)	'000 (unaudited)	'000 (unaudited)	'000 (unaudited)

Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>
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No diluted earnings per share were presented as there were no potential ordinary shares in issue during both periods.

9. DIVIDENDS

No dividend was paid, declared or proposed for the six months ended 30 September 2019 (2018: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired property, plant and equipment of approximately HK\$20,353,000 (six months ended 30 September 2018: approximately HK\$4,439,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and the six months ended 30 September 2019

11. INVESTMENT PROPERTY

	<i>HK\$'000</i>
FAIR VALUE	
As at 1 April 2019 (audited)	14,300
Fair value change during the period	<u>–</u>
As at 30 September 2019 (unaudited)	<u>14,300</u>

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 2019, 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 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
0 – 30 days	65,285	42,422
31 – 60 days	–	53,023
61 – 90 days	8,976	2,055
91 – 180 days	214	30
	<u>74,475</u>	<u>97,530</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and the six months ended 30 September 2019

13. CONTRACT ASSETS AND CONTRACT LIABILITIES

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Contract assets		
Unbilled revenue from construction services	65,878	57,948
Retention receivables	16,890	16,335
	82,768	74,283
Advances from customers	5,097	5,146
Deferred income from construction services	88	88
	5,185	5,234

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.

Contract assets and liabilities are classified as current assets and liabilities, as they are expected to be settled within the Group's normal operating cycle.

Retention receivables is unsecured and interest-free and represented the monies withheld by customers and 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and the six months ended 30 September 2019

14. PLEDGED BANK DEPOSIT

Pledged bank deposit of HK\$21,109,000 (31 March 2019: HK\$21,122,000) represents a bank deposit pledged to a bank to secure bank borrowings of the Group amounting to approximately HK\$39,425,000 (31 March 2019: approximately HK\$38,597,000) as at 30 September 2019 which is expected to be recovered after one year and therefore classified as non-current assets. The pledged bank deposit carries fixed interest rate at 0.01% per annum as at 30 September 2019 and 31 March 2019.

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 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
0 – 30 days	46,141	26,324
31 – 60 days	13,161	1,364
61 – 90 days	2,020	788
Over 90 days	2,685	2,223
	64,007	30,699

16. BANK BORROWINGS

At 30 September 2019, the Group's outstanding bank borrowings amounting to approximately HK\$44,217,000 (31 March 2019: approximately HK\$53,984,000). The borrowings carry interest at fixed-rate 4.84% and variable-rate 2.94% to 4.88% (31 March 2019: fixed-rate 4.84% and variable-rate 2.94% to 4.88%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and the six months ended 30 September 2019

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 2019 and 2018.

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 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Investment property	14,300	14,300
Property, plant and equipment	32,529	26,940
Bank deposits	21,109	21,122
	67,938	62,362

19. CAPITAL COMMITMENT

The Group had no capital commitment as at 30 September 2019 and 31 March 2019.

20. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2019 and 31 March 2019.

21. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements for the three months and six months ended 30 September 2019 were approved and authorised for issue by the Board on 5 November 2019.

OTHER INFORMATION

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 2019, 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 (<i>Note</i>)	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%

OTHER INFORMATION

Save as disclosed above, as at 30 September 2019, 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 2019, 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.

OTHER INFORMATION

Save as disclosed above, and as at 30 September 2019, 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

Changes in the information of the Directors since the date of the Company's annual report 2019 are as follow:

- (1) The fixed basic salary of Mr. Tang Sze Wo has been revised to HK\$180,000 per month with effect from 5 November 2019.
- (2) The fixed basic salary of Mr. Lai Yung Sang has been revised to HK\$130,000 per month with effect from 5 November 2019.
- (3) The fixed basic salary of Dr. Wong Kwok Yiu Chris has been revised to HK\$6,000 per month with effect from 5 November 2019.
- (4) The fixed basic salary of Mr. Wong Choi Chak has been revised to HK\$6,000 per month with effect from 5 November 2019.
- (5) The fixed basic salary of Mr. Leung Kim Hong has been revised to HK\$6,000 per month with effect from 5 November 2019.

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.

OTHER INFORMATION

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 2019 to 30 September 2019 and there were no outstanding share options under the Share Option Scheme as at 30 September 2019 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 2019 (for the six months ended 30 September 2018: nil).

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed in this report, at no time during the period from 1 April 2019 to 30 September 2019 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).

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six-months period ended 30 September 2019, 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 2019 to 30 September 2019.

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 2019.

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 2019.

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 2019.

OTHER INFORMATION

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 2019, 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, 5 November 2019

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.