



常滿控股有限公司

Sheung Moon Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8523



FIRST QUARTERLY
REPORT **2020**

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

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

COMPLIANCE ADVISER

LY Capital Limited
Rooms 1901-02
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
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 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 as well as 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.

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 (Note) <i>HK\$' million</i>
As at 1 April 2020		
Existing contracts	22	791.9
During the three months ended 30 June 2020		
Contracts completed	(3)	(34.4)
New contracts awarded	3	12.4
As at 30 June 2020	<u>22</u>	<u>769.9</u>

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 period under review, the Group continued to purchase new site equipment to increase productivity and efficiency of construction activities. In addition, the Group also recruited more administrative staff to cope with the increase in volume of administrative works. The Group has also been granted more banking facilities in order to cope with the business expansion.

The Group established a Site Safety Working Group, being led by the Director, to recommend improvements upon safety management in construction sites. Earlier this year, Sheung Moon Construction Limited, a subsidiary of the Group, had an industrial accident on the construction site located at Tseung Kwan O Area 137 Fill Bank, New Territories (the “**Tseung Kwan O 137**”). In response to the accident, the Group also arranged various safety training courses for site workers to increase their awareness and knowledge on industrial safety and health. In addition, the Directors have engaged an independent safety consultant to review the existing safety policies and procedures and advise methods to strengthen the safety standards and comply with the relevant legislation.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, Hong Kong continued to be impacted by the outbreak of COVID-19. The Government has imposed a number of quarantine measures and social distancing restrictions on the movements of people within the city. To safeguard employees from the outbreak, the Group continued to allow office employees to work from home on a rotating basis.

During the period under review, the Group received Government subsidy of approximately HK\$10.0 million, being the first tranche of wage subsidy for the months of June, July and August under the Employment Support Scheme (the “**ESS**”), an anti-epidemic fund launched by the Government aimed to save the local economy which has been severely hit by the outbreak of COVID-19.

FINANCIAL REVIEW

Revenue

The Group’s revenue decreased by approximately HK\$0.8 million, or 0.6%, from approximately HK\$143.0 million for the three months ended 30 June 2019 to approximately HK\$142.2 million for the three months ended 30 June 2020. Such decrease was primarily due to the decrease in revenue generated from the Tseung Kwan O 137 project as compared to corresponding period of the previous year as a result of decrease in amount of work from the project during the period under review. All other projects seemed to be progressing well but they did not generate sufficient revenue to offset the decrease in revenue from the Tseung Kwan O 137 project as some of these projects were still at their initial stages 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\$1.3 million, or 1.0%, from approximately HK\$128.4 million for the three months ended 30 June 2019 to approximately HK\$129.7 million for the three months ended 30 June 2020. Such increase was mainly attributable to the increase in subcontracting labour cost and transportation cost for the period under review. The Group assigned the works of rebaring fixing formboard erecting and concreting to sub-contractor in order to maintain works flexibility and productivity. The Group also incurred additional expenses on equipment leasing and transportation expenses due to the increase in construction activities.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

As a result of the decrease in revenue and increase in direct cost, the Group's gross profit decreased by approximately HK\$2.1 million, or 14.4%, from approximately HK\$14.6 million for the three months ended 30 June 2019 to approximately HK\$12.5 million for the three months ended 30 June 2020. Gross profit margin dropped from 10.2% for the three months ended 30 June 2019 to 8.8% for the three months ended 30 June 2020. Such decrease was due to the increase in subcontracting labour cost required to handle the rebaring fixing, formboard erecting and concreting works. Besides, the Group also incurred additional expenses on equipment leasing and transportation expenses due to the increase in construction activities.

Other Income

Other income for the three months ended 30 June 2020 included a new subsidy of approximately HK\$3.6 million received from the Government under the ESS which was launched in May 2020 to help companies in Hong Kong to retain their employees during the economy slowdown caused by the COVID-19 pandemic. Other income received also comprised interest income from bank deposits and rental income from the Group's investment property.

Other income increased by approximately HK\$3.5 million or 1,750% from approximately HK\$0.2 million for the three months ended 30 June 2019 to approximately HK\$3.7 million for the three months ended 30 June 2020. Such increase was mainly due to the subsidy of approximately HK\$3.6 million received from the Government under the ESS.

Other Gains and Losses

The Group recorded an other loss of HK\$0.3 million for the three months ended 30 June 2020. (three months ended 30 June 2019: Nil). Such loss was due to the scrapping of a damaged motor vehicle during the period under review.

Administrative Expenses

Administrative expenses increased slightly by approximately HK\$0.5 million or 17.9% from approximately HK\$2.8 million for the three months ended 30 June 2019 to approximately HK\$3.3 million for the three months ended 30 June 2020. The increase was mainly due to the increase in employees' salaries and welfare so as to maintain the Group's competitiveness in the industry.

Finance Costs

Finance costs increased by approximately HK\$0.2 million or 22.2% from approximately HK\$0.9 million for the three months ended 30 June 2019 to approximately HK\$1.1 million for the three months ended 30 June 2020. The increase was mainly due to the increase in bank interest as a result of increase in mortgage loans to finance the purchase of commercial properties and more banking facilities were required to cope with the rapid growth in construction activities undertaken.

MANAGEMENT DISCUSSION AND ANALYSIS

Taxation

Taxation expenses decreased by approximately HK\$0.2 million or 13.3% from approximately HK\$1.5 million for the three months ended 30 June 2019 to approximately HK\$1.3 million for the three months ended 30 June 2020. Such decrease was due to the decrease in assessable profits for the three months ended 30 June 2020 as compared to the corresponding period of the last year.

As a result of the above, the Group recorded a profit approximately HK\$10.0 million for the three months ended 30 June 2020 (three months ended 30 June 2019: approximately HK\$9.7 million).

PROSPECT

The recent impact of the COVID-19 Pandemic is believed to disrupt the Government's plan by deferring the launch of various public construction projects. Besides, there may be delay in completion of project in the construction industry due to closure of construction sites, shortage of labours and construction materials. In the short term, the industry may face increase in wages of workers and construction materials. Nonetheless, the Directors believe that such impacts are temporary in nature. The epidemic will soon be brought under control, and the construction industry will gradually return back to the situation before the outbreak.

In order to recover the badly hit economy after the epidemic, the Government is likely to increase its infrastructural investment in order to create more job opportunities and stimulate economic growth. It is expected that the construction industry will be benefited by such infrastructural expansion policy.

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**").

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2020

The board of directors of the Company (the “**Board**”) is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 30 June 2020, together with the comparative figures for the corresponding period in 2019 as follows:

	NOTES	Three months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	3	142,203	143,048
Direct costs		(129,713)	(128,425)
Gross profit		12,490	14,623
Other income		3,707	181
Other gain and loss		(343)	–
Impairment losses under expected credit loss model, net of reversal		(73)	–
Administrative expenses		(3,342)	(2,756)
Finance costs	4	(1,071)	(880)
Profit before taxation	5	11,368	11,168
Taxation	6	(1,349)	(1,464)
Profit and total comprehensive income for the period attributable to owners of the Company		10,019	9,704
Earnings per share (HK cents)	7		
– Basic and diluted		2.50	2.43

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2020

	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 2020 (audited)	4,000	63,701	10,262	2,695	83,160	163,818
Profit and total comprehensive income for the period (unaudited)	—	—	—	—	10,019	10,019
At 30 June 2020 (unaudited)	<u>4,000</u>	<u>63,701</u>	<u>10,262</u>	<u>2,695</u>	<u>93,179</u>	<u>173,837</u>
At 1 April 2019 (audited)	4,000	63,701	10,262	2,695	54,255	134,913
Profit and total comprehensive income for the period (unaudited)	—	—	—	—	9,704	9,704
At 30 June 2019 (unaudited)	<u>4,000</u>	<u>63,701</u>	<u>10,262</u>	<u>2,695</u>	<u>63,959</u>	<u>144,617</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 in preparation for the listing of the Company's shares.
- (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".

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2020

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 service.

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statement of the Group for the three months period ended 30 June 2020 have been prepared in accordance with accounting policies conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPAs**”) applicable to interim periods. However, it does not contain sufficient information to constitute an interim financial report as defined in HKFRSs.

The condensed consolidated financial statements have been prepared on the historical cost basis.

The adoption of the new and amendments to HKFRSs issued by the HKICPA which are applicable for the Group’s annual period beginning on 1 April 2020 has no material impact on the financial position of the Group as at 1 April 2020 and results of the Group for the three months ended 30 June 2020.

The accounting policies and methods of computation used in the first quarterly financial information for the three months ended 30 June 2020 are the same as those follow in the preparation of the financial information of the Group for the year ended 31 March 2020 included in the annual report of the Company dated 18 June 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2020

3. REVENUE AND SEGMENT INFORMATION

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

	Three months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interests on:		
Bank borrowings	811	598
Lease-liabilities	260	282
	<u>1,071</u>	<u>880</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2020

5. PROFIT BEFORE TAXATION

	Three months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Directors' remuneration	993	795
Staff costs (including direct labour cost)	37,818	33,059
Retirement benefit scheme contributions (including direct labour cost)	1,306	1,185
Total staff cost	40,117	35,039
Auditor's remuneration	300	250
Depreciation on property, plant and equipment	1,663	1,015
Depreciation on right-of-use assets	929	876
Lease payment under operating leases in respect of rental premises: – short term leases	–	173
Lease payment under operating leases in respect of site equipment: – short term leases	–	9,280

6. TAXATION

	Three months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Tax charge comprises:		
Hong Kong Profits Tax	1,158	674
Deferred taxation	191	790
	1,349	1,464

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2020

7. EARNINGS PER SHARE

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

	Three months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Profits for the period attributable to owners of the Company for the purpose of calculating basic earnings per share	<u>10,019</u>	<u>9,704</u>
	'000	'000
	(unaudited)	(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>

No diluted earnings per share were presented as there were no potential ordinary shares in issue during both periods.

8. DIVIDENDS

No dividend was paid, declared or proposed for the three months ended 30 June 2020 (2019: Nil).

OTHER INFORMATION

DISCLOSURE OF INTERESTS

(a) Interests and short positions 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 June 2020, 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%

Save as disclosed above, as at 30 June 2020, 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.

OTHER INFORMATION

(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 June 2020, 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 June 2020, 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.

DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 30 June 2020 (for the three months ended 30 June 2019: nil).

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the three-months period ended 30 June 2020, 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.

SHARE OPTION SCHEME

The share option scheme of the Company (the “**Share Option Scheme**”) was adopted under the written resolutions of the Shareholders passed on 24 January 2018. No share option has been granted under the Shares Option Scheme since its adoption.

DEED OF NON-COMPETITION

A deed of non-competition (the “**Deed of Non-competition**”) dated 24 January 2018 was entered into by Chrysler Investments Limited, a limited liability company incorporated in the British Virgin Islands, and Mr. Tang Sze Wo in favour of the Company regarding non-competition undertakings. The details of the Deed of Non-competition have been disclosed in the Prospectus under the section headed “Relationship with Controlling Shareholders” and the non-competition undertaking is effective from the Listing Date (i.e. 12 February 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 three months ended 30 June 2020.

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 June 2020.

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 “**Code of Conduct**”). Having made specific enquiry of all the Directors, all of them confirmed that they had fully complied with the required standard of dealings as set out in the Code Conduct during the period from 1 April 2020 to 30 June 2020.

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 ended 30 June 2020.

OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

Sheung Moon Construction Limited received six summons on 10 July 2020 requiring the Company to appear before the court on 6 August 2020 to answer the charges of failure to ensure that safety audits were conducted not less than once within a specified period of time as required by law, failure to provide information, instructions, trainings and supervision to ensure the health and safety of site workers, and failure to effectively guard the dangerous parts of site machines as required by law after a safety inspection had been conducted by the Labour Department on the site of Tseung Kwan O 137 earlier this year. The Group has instructed its legal adviser to defend against the charges. At the hearing held on 6 August 2020, the court fixed the date for plea on 17 September 2020. After seeking legal advices from the Group's legal adviser, the Group have made a provision of approximately HK\$162,000 for the cases. The Directors expected that the cases have no significant impact on the operations of the Group. Further disclosures on the progress of the cases will be announced in due course if necessary.

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 three-months period ended 30 June 2020, the Company has complied with the code provisions of the CG Code.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE 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 August 2020

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.