



常滿控股有限公司

Sheung Moon Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8523



INTERIM **2020**
REPORT

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.

*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.*

CONTENTS

| | |
|--|----|
| Corporate Information | 3 |
| Management Discussion and Analysis | 5 |
| Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income | 11 |
| Condensed Consolidated Statement of Financial Position | 12 |
| Condensed Consolidated Statement of Changes in Equity | 13 |
| Condensed Consolidated Statement of Cash Flows | 14 |
| Notes to the Condensed Consolidated Financial Statements | 15 |
| Other Information | 27 |

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
Registered Public Interest Entity Auditors
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

Office D, 27/F
The Globe,
No. 79 Wing Hong Street
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 <small>(Note)</small> <i>HK\$' million</i> |
|---|--------------------------------|---|
| As at 1 April 2020 | | |
| Existing contracts | 22 | 791.9 |
| During the six months ended 30 September 2020 | | |
| Contracts completed | (3) | (34.4) |
| New contracts awarded | 7 | 69.9 |
| As at 30 September 2020 | <u>26</u> | <u>827.4</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, Hong Kong continued to be impacted by the outbreak of COVID-19, but the situation has obviously improved as compared with the first quarter of this year. The Government has relaxed some of the quarantine measures and social distancing restrictions on the movements of people within the city. The daily operations of the Group have returned to the time before the outbreak. Staff was no longer required to work from home. To ensure that all staff and workers were working in a safety and healthy environment, preventive measures against the COVID-19 continued to be implemented in the office and construction sites.

During the period under review, the Group continued to purchase new site equipment to increase productivity and efficiency of construction works. Besides, the Group received subsidy of approximately HK\$13.4 million, being the first and second tranches of wage subsidy released by the Government under the Employment Support Scheme (“ESS”) for June to September 2020, 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 epidemic.

MANAGEMENT DISCUSSION AND ANALYSIS

As mentioned in the Company's first quarterly report published in August of this year, Sheung Moon Construction Limited received six summons on 10 July 2020 which required the Company to appear before the court on 6 August 2020 to answer the charges of (1) failure to ensure that safety audits were conducted not less than once within a specified period of time as required by law, (2) failure to provide information, instructions, trainings and supervision to ensure the health and safety of site workers, and (3) 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. At the hearing held on 6 August 2020, the court fixed the date for plea to 17 September 2020. At the hearing on 17 September 2020, the court further postponed the date for plea to 26 November 2020. Further announcement will be made in respect of the progress of the case as and when appropriate.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK\$17.2 million, or 5.8%, from approximately HK\$297.1 million for the six months ended 30 September 2019 to approximately HK\$279.9 million for the six months ended 30 September 2020. Such decrease was primarily due to the decrease in revenue generated from the Tseung Kwan O 137 project. Although all other projects were progressing well and smoothly, they did not generate sufficient revenue to cover the reduction in revenue from the Tseung Kwan O 137 project because some of them were newly signed contracts which were still at 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 decreased by approximately HK\$10.9 million, or 4.1%, from approximately HK\$268.5 million for the six months ended 30 September 2019 to approximately HK\$257.6 million for the six months ended 30 September 2020. The decrease in revenue during the period under review also caused the corresponding decrease in direct costs as less materials and labours were put into the projects to produce the corresponding revenue.

Gross Profit and Gross Profit Margin

As a result of the decrease in revenue and direct cost, the Group's gross profit decreased by approximately HK\$6.4 million, or 22.4%, from approximately HK\$28.6 million for the six months ended 30 September 2019 to approximately HK\$22.2 million for the six months ended 30 September 2020. Gross profit margin dropped from 9.6% for the six months ended 30 September 2019 to 8.0% for the six months ended 30 September 2020. Such decrease was due to the increase in depreciation charges as a result of additional purchase of site equipment and trucks for construction projects. Besides, the decrease in gross profit margin was also due to the increase in subcontracting cost for handling the rebaring fixing, formboard erecting and concreting works. The Group subcontracted out these works in order to maintain works flexibility and productivity.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income

Other income for the six months ended 30 September 2020 included a new subsidy of approximately HK\$13.4 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\$13.9 million or 4,633.3% from approximately HK\$0.3 million for the six months ended 30 September 2019 to approximately HK\$14.2 million for the six months ended 30 September 2020. Such increase was mainly due to the subsidy of approximately HK\$13.4 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 six months ended 30 September 2020. (six months ended 30 September 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\$0.7 million or 12.3% from approximately HK\$5.7 million for the six months ended 30 September 2019 to approximately HK\$6.4 million for the six months ended 30 September 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. Besides, more overhead expenses were incurred as a result of moving to a new office with larger space.

Finance Costs

Finance costs increased by approximately HK\$0.6 million or 33.3% from approximately HK\$1.8 million for the six months ended 30 September 2019 to approximately HK\$2.4 million for the six months ended 30 September 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, including a new commercial property purchased on February 2020 used as the principal place of business in Hong Kong of the Group, and more banking facilities were granted to cope with the rapid growth in construction activities undertaken.

Taxation

Taxation expenses decreased by approximately HK\$1.3 million or 37.1% from approximately HK\$3.5 million for the six months ended 30 September 2019 to approximately HK\$2.2 million for the six months ended 30 September 2020. Such decrease was due to the decrease in assessable profits for the six months ended 30 September 2020 as compared to the corresponding period in last year.

As a result of the above, the Group recorded a profit of approximately HK\$25.0 million for the six months ended 30 September 2020 (six months ended 30 September 2019: approximately HK\$17.9 million).

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT

As the COVID-19 epidemic continues to ease, the Government has begun to relax the social distancing restrictions. The economy of the city is recovering gradually. Life slowly returns to normal as businesses re-open and people start going out.

The Directors believe that the growth outlook for the next few years remains subdued. 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**").

Liquidity and Financial Resources

During the period under review, the Group's source of funds was primarily from the cash generated from operating activities. The Group also utilised bank borrowings to finance its operations. Details of bank borrowing at 30 September 2020 set out in note 16 to the condensed consolidated financial statements. As at 30 September 2020, the Group had a healthy financial position with net assets amounted to approximately HK\$188.9 million (31 March 2020: approximately HK\$163.8 million). Net current assets stood at approximately HK\$75.9 million (31 March 2020: approximately HK\$51.2 million). As at 30 September 2020, the Shareholders' equity amounted to approximately HK\$188.9 million (31 March 2020: approximately HK\$163.8 million). Current assets amounted to approximately HK\$268.1 million (31 March 2020: approximately HK\$242.8 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\$21.2 million which has been classified as non-current asset (31 March 2020: HK\$21.2 million)). Increase in current assets was mainly attributable to the increase in trade receivable (certified construction work done) and contract assets (works performed but not yet certified by architect) as at 30 September 2020.

Current liabilities amounted to approximately HK\$192.2 million (31 March 2020: approximately HK\$191.6 million), mainly comprising trade and other payables and accruals, contract liabilities, tax payable, bank borrowings and lease liabilities. Decrease in current liabilities was mainly due to the decrease in tax payable as a result of decrease in operating profits generated from construction activities.

As at 30 September 2020, the Group's bank balances and cash (including pledged bank deposits of approximately HK\$21.2 million) amounted to approximately HK\$36.5 million (31 March 2020: approximately HK\$49.0 million). The decrease in bank balances and cash was due to the repayment of part of the bank loans and lease liabilities before the end of the reporting period. Net asset value per Share was HK\$0.46 as at 30 September 2020 (as at 31 March 2020: HK\$0.41).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 September 2020, the gearing ratio of the Group, which is based on the ratio of interest bearing borrowings and lease liabilities to total equity, was 60.1% (31 March 2020: 72.1%). Such decrease was mainly due to the repayment of part of the bank loans and lease liabilities before the end of the reporting period. The unutilised bank facilities was amounted to approximately HK\$22.4 million as at 30 September 2020.

As the Company is listed on the GEM of the Stock Exchange, the Group's source of funds can further be satisfied by using a combination of cash generated from operating activities, bank loans and other fund raised from the capital markets from time to time.

Capital Structure

As at 30 September 2020, 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 2020 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 2020, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

Significant Investments Held

As at 30 September 2020, the Group did not have any significant investments held (31 March 2020: nil).

Charges on the Group's Assets

As at 30 September 2020, the Group's property, plant and equipment and right-of-use assets with an aggregate carrying amount of approximately HK\$64.0 million (31 March 2020: approximately HK\$64.0 million) was pledged to finance equipment purchases, while investment property of approximately HK\$13.0 million (31 March 2020: approximately HK\$13.0 million) and bank deposits of approximately HK\$21.2 million (31 March 2020: approximately HK\$21.2 million) were pledged to secure bank borrowings for financing the Group's operating activities. Details of pledged of assets as at 30 September 2020 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 rare. Nevertheless, the Group will consider hedging significant foreign currency exposure should the need arise.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

As at 30 September 2020, the Group did not have any material contingent liabilities (31 March 2020: nil).

Capital Commitment

As at 30 September 2020, the Group did not have any significant capital commitment (31 March 2020: nil).

Future Plans for Material Investments and Capital Assets

The Group did not have other plan for material investments and capital assets.

Employees and Remuneration Policies

As at 30 September 2020, the Group had a total staff (including the Directors) of approximately 480 employees (as at 31 March 2020: 420). Total staff cost including Directors' remuneration for the six months ended 30 September 2020 amounted to approximately HK\$82.2 million (for the six months ended 30 September 2019: approximately HK\$75.1 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.

EVENTS AFTER THE REPORTING PERIOD

The Group had no significant events after the end of the reporting period and up to the date of this report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2020

The board of directors (the “**Board**”) of the Company hereby announces the unaudited condensed consolidated results of the Group for the six months ended 30 September 2020, together with the comparative figures for the corresponding period in 2019 as follows:

| | NOTES | Three months ended 30 September | | Six months ended 30 September | |
|--|-------|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) |
| Revenue | 3 | 137,665 | 154,021 | 279,868 | 297,069 |
| Direct costs | | (127,892) | (140,054) | (257,605) | (268,479) |
| Gross profit | | 9,773 | 13,967 | 22,263 | 28,590 |
| Other income | 4 | 10,482 | 123 | 14,189 | 304 |
| Other gains and losses | 5 | – | – | (343) | – |
| Impairment loss under expected credit loss model, net of reversal | | (34) | – | (107) | – |
| Administrative expenses | | (3,061) | (2,896) | (6,403) | (5,652) |
| Finance costs | 6 | (1,303) | (959) | (2,374) | (1,839) |
| Profit before taxation | 7 | 15,857 | 10,235 | 27,225 | 21,403 |
| Taxation | 8 | (842) | (2,001) | (2,191) | (3,465) |
| Profit and total comprehensive income for the period attributable to owners of the Company | | 15,015 | 8,234 | 25,034 | 17,938 |
| Earnings per share | 9 | | | | |
| – Basic (HK cents) | | 3.75 | 2.06 | 6.26 | 4.48 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

| | NOTES | As at 30 September 2020 HK\$'000 (unaudited) | As at 31 March 2020 HK\$'000 (audited) |
|---------------------------------------|-------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | 11 | 71,098 | 73,281 |
| Right-of-use assets | 11 | 25,493 | 24,681 |
| Investment property | | 13,000 | 13,000 |
| Pledged bank deposit | 14 | 21,208 | 21,184 |
| | | 130,799 | 132,146 |
| Current assets | | | |
| Trade and other receivables | 12 | 105,370 | 86,196 |
| Contract assets | 13 | 145,717 | 127,263 |
| Amount due from a joint operation | | 1,732 | 1,520 |
| Bank balances and cash | | 15,283 | 27,775 |
| | | 268,102 | 242,754 |
| Current liabilities | | | |
| Trade and other payables | 15 | 81,126 | 79,464 |
| Contract liabilities | 13 | 3,804 | 2,923 |
| Amount due to a joint operation | | 125 | 117 |
| Tax payable | | 3,318 | 2,259 |
| Bank borrowings | 16 | 97,074 | 100,465 |
| Lease liabilities | | 6,732 | 6,336 |
| | | 192,179 | 191,564 |
| Net current assets | | 75,923 | 51,190 |
| Total assets less current liabilities | | 206,722 | 183,336 |
| Non-current liabilities | | | |
| Lease liabilities | | 9,662 | 11,321 |
| Deferred taxation | | 8,208 | 8,197 |
| | | 17,870 | 19,518 |
| Net assets | | 188,852 | 163,818 |
| Capital and reserves | | | |
| Share capital | | 4,000 | 4,000 |
| Reserves | | 184,852 | 159,818 |
| Total equity | | 188,852 | 163,818 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

| | Share capital <i>HK\$'000</i> | Share premium <i>HK\$'000</i> | Other reserve <i>HK\$'000</i> <i>(Note a)</i> | Property revaluation reserve <i>HK\$'000</i> <i>(Note b)</i> | Retained profits <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|-------------------------------------|-------------------------------------|--|--|--|--------------------------|
| 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) | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>17,938</u> | <u>17,938</u> |
| 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> |
| 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) | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>25,034</u> | <u>25,034</u> |
| At 30 September 2020 (unaudited) | <u>4,000</u> | <u>63,701</u> | <u>10,262</u> | <u>2,695</u> | <u>108,194</u> | <u>188,852</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, 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 2020

| | Six months ended | |
|--|-------------------------|--------------------|
| | 30 September | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Net cash generated from operating activities | <u>3,945</u> | <u>59,331</u> |
| Net cash used in investing activities | <u>(7,183)</u> | <u>(11,101)</u> |
| Net cash used in financing activities | <u>(9,254)</u> | <u>(18,375)</u> |
| Net (decrease) increase in cash and cash equivalents | (12,492) | 29,855 |
| Cash and cash equivalents at the beginning of the period | <u>27,775</u> | <u>6,411</u> |
| Cash and cash equivalents at the end of the period | <u>15,283</u> | <u>36,266</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 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 Office D, 27/F, The Globe, No. 79 Wing Hong Street, 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 additional accounting policies resulting from application of 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 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's condensed consolidated financial statements:

| | |
|--|--------------------------------|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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 | |
|---|------------------------------------|----------------|----------------------------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Civil engineering construction contracts recognised over time | <u>137,665</u> | <u>154,021</u> | <u>279,868</u> | <u>297,069</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

3. REVENUE AND SEGMENT INFORMATION – CONTINUED

Revenue – continued

(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.

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, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

4. OTHER INCOME

| | Three months ended 30 September | | Six months ended 30 September | |
|--------------------------------------|------------------------------------|-------------|----------------------------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Government subsidies (<i>Note</i>) | 10,328 | – | 13,666 | – |
| Bank interest income | 24 | 25 | 24 | 75 |
| Property rental income | 97 | 98 | 194 | 197 |
| Others | 33 | – | 305 | 32 |
| | <u>10,482</u> | <u>123</u> | <u>14,189</u> | <u>304</u> |

Note: During the current interim period, the Group recognised government grants of approximately HK\$13,666,000 in respect of COVID-19-related subsidies, of which approximately HK\$13,356,000 relates to Employment Support Scheme provided by the Hong Kong Government and approximately HK\$310,000 related to one-off subsidy from Transportation Department.

5. OTHER GAINS AND LOSSES

| | Three months ended 30 September | | Six months ended 30 September | |
|---|------------------------------------|-------------|----------------------------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Loss on written off of property, plant and equipment | – | – | (343) | – |

6. FINANCE COSTS

| | Three months ended 30 September | | Six months ended 30 September | |
|-------------------|------------------------------------|-------------|----------------------------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Interests on: | | | | |
| Bank borrowings | 1,056 | 636 | 1,867 | 1,234 |
| Lease liabilities | 247 | 323 | 507 | 605 |
| | <u>1,303</u> | <u>959</u> | <u>2,374</u> | <u>1,839</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

7. PROFIT BEFORE TAXATION

| | Three months ended 30 September | | Six months ended 30 September | |
|--|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) |
| Profit before taxation has been arrived at after charging: | | | | |
| Directors' remuneration | 993 | 795 | 1,986 | 1,590 |
| Staff costs (including direct labour cost) | 39,666 | 37,714 | 77,484 | 70,773 |
| Retirement benefit scheme contributions (including direct labour cost) | 1,424 | 1,590 | 2,730 | 2,775 |
| Total staff cost | <u>42,083</u> | <u>40,099</u> | <u>82,200</u> | <u>75,138</u> |
| Auditor's remuneration | 350 | 290 | 650 | 540 |
| Depreciation on property, plant and equipment | 1,638 | 1,241 | 3,301 | 2,269 |
| Depreciation on right-of-use assets | 1,007 | 910 | 1,936 | 1,773 |
| Lease payments under operating leases in respect of rented premises: | | | | |
| – short term leases | 119 | 123 | 238 | 296 |
| Lease payments under operating leases in respect of site equipment: | | | | |
| – short term leases | <u>5,081</u> | <u>10,783</u> | <u>11,851</u> | <u>20,063</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

8. TAXATION

| | Three months ended 30 September | | Six months ended 30 September | |
|-------------------------------------|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) | 2019 HK\$'000 (unaudited) |
| Tax charge comprises: | | | | |
| Hong Kong Profits Tax – current tax | 933 | 1,197 | 2,091 | 1,871 |
| Deferred taxation | (91) | 804 | 100 | 1,594 |
| | 842 | 2,001 | 2,191 | 3,465 |

The Hong Kong Profits Tax of a subsidiary of the Group is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million. The profits of group entities not qualifying for the two-tiered profits tax regime will be taxed at a flat rate of 16.5%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

9. 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 | |
|--|------------------------------------|-------------|----------------------------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |

Earnings

Profits for the period attributable to owners of the Company for the purpose of basic earnings per share

| | | | | |
|--|--------------------|-------------|--------------------|-------------|
| | 15,015 | 8,234 | 25,034 | 17,938 |
| | '000 | '000 | '000 | '000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |

Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share

| | | | | |
|--|----------------|---------|----------------|---------|
| | 400,000 | 400,000 | 400,000 | 400,000 |
|--|----------------|---------|----------------|---------|

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

10. DIVIDENDS

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

11. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 September 2020, the Group acquired property, plant and equipment and right-of-use assets of approximately HK\$2,586,000 and approximately HK\$1,630,000 respectively (six months ended 30 September 2019: approximately HK\$8,206,000 and approximately HK\$12,147,000 respectively). During the six months ended 30 September 2020, the Group wrote off right-of-use assets of approximately HK\$343,000.

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 2020 HK\$'000 (unaudited) | 31 March 2020 HK\$'000 (audited) |
|---------------|---|---|
| 0 – 30 days | 61,463 | 36,727 |
| 31 – 60 days | 9,280 | 31,686 |
| 61 – 90 days | 9,250 | 707 |
| 91 – 180 days | – | 2,908 |
| | 79,993 | 72,028 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

13. CONTRACT ASSETS AND CONTRACT LIABILITIES

| | 30 September 2020 HK\$'000 (unaudited) | 31 March 2020 HK\$'000 (audited) |
|---|---|---|
| Contract assets | | |
| Unbilled revenue from construction services | 117,920 | 110,378 |
| Retention receivables | 27,797 | 16,885 |
| | 145,717 | 127,263 |
| Contract liabilities | | |
| Advances from customers | 3,804 | 2,923 |

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.

14. PLEDGED BANK DEPOSIT

Pledged bank deposit of HK\$21,208,000 (31 March 2020: HK\$21,184,000) represents a bank deposit pledged to a bank to secure bank borrowings of the Group amounting to approximately HK\$75,398,000 (31 March 2020: approximately HK\$76,037,000) as at 30 September 2020 which is expected to be recovered after one year and therefore classified as non-current assets. The pledged bank deposit carries fixed interest rate ranging from 0.10% to 2.20% per annum as at 30 September 2020 and 31 March 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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 2020 HK\$'000 (unaudited) | 31 March 2020 HK\$'000 (audited) |
|--------------|---|---|
| 0 – 30 days | 40,494 | 43,728 |
| 31 – 60 days | 10,328 | 2,728 |
| 61 – 90 days | 5,961 | 7,993 |
| Over 90 days | 1,344 | 3,868 |
| | 58,127 | 58,317 |

16. BANK BORROWINGS

At 30 September 2020, the Group's outstanding bank borrowings amounting to approximately HK\$97,074,000 (31 March 2020: approximately HK\$100,465,000). The borrowings carry interest at fixed-rate 4.84% or at variable-rate 2.94% to 4.88% (31 March 2020: fixed-rate 4.84% and variable-rate 2.94% to 4.88%) per annum.

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 2020 and 2019.

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 7 to the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

18. PLEDGE OF ASSETS

At the end of the reporting period, the Group's secured borrowings and lease liabilities were secured by the following assets:

| | 30 September 2020 HK\$'000 (unaudited) | 31 March 2020 HK\$'000 (audited) |
|-------------------------------|---|---|
| Investment property | 13,000 | 13,000 |
| Property, plant and equipment | 38,860 | 39,934 |
| Right-of-use assets | 25,131 | 24,023 |
| Bank deposits | 21,208 | 21,184 |
| | 98,199 | 98,141 |

19. CAPITAL COMMITMENT

The Group had no capital commitment as at 30 September 2020 and 31 March 2020.

20. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2020 and 31 March 2020.

21. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements for the three months and six months ended 30 September 2020 were approved and authorised for issue by the Board on 5 November 2020.

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 September 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% |

OTHER INFORMATION

Save as disclosed above, as at 30 September 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.

(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 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.

OTHER INFORMATION

Save as disclosed above, and as at 30 September 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.

CHANGES IN THE DIRECTORS' INFORMATION

There are no changes in the information of the Directors since the date of the Company's annual report 2020.

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 2020 to 30 September 2020 and there were no outstanding share options under the Share Option Scheme as at 30 September 2020 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 2020 (for the six months ended 30 September 2019: nil).

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed in this report, at no time during the period from 1 April 2020 to 30 September 2020 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 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.

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 2020 to 30 September 2020.

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 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 September 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 and six months ended 30 September 2020.

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 2020, 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 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.