



常滿控股有限公司

Sheung Moon Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8523



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 Stock Exchange. 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

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. Lo Eraine

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. Lo Eraine

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

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

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 2021		
Existing contracts	47	1,110.7
During the six months ended 30 September 2021		
Contracts completed	(1)	(9.1)
New contracts awarded	22	17.6
As at 30 September 2021	68	1,119.2

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.

Over the past years, the Group has placed significant emphasis on quality of works, site safety, health and environmental safety with considerate attitude. As evidence to the Group’s performance in these aspects, the Group received a number of awards and recognitions, including:

- (i) a silver award for public works (RMAA Works) in the 27th Considerate Contractors Site Award Scheme jointly hosted by the Development Bureau of Hong Kong (the “**DEVB**”) and Construction Industry Council (the “**CIC**”) in recognition of the performance of temporary construction waste sorting facilities at its construction site of the project at Tseung Kwan O Area 137 and Tuen Mun Area 38;

MANAGEMENT DISCUSSION AND ANALYSIS

- (ii) a merit award in Safety Management System, Training and Promotion Category under Innovative Safety Initiative Award 2020 jointly hosted by the DEVB, the CIC and the Hong Kong Construction Association in recognition of the performance of operating and maintaining the safety monitoring systems of the temporary construction waste sorting facilities at Tseung Kwan O Area 137 and Tuen Mun Area 38; and
- (iii) a certificate of appreciation from the DEVB and the CIC for sharing of good site safety practice of the above-mentioned facilities in August 2021.

During the period under review, the number of COVID-19 confirmed cases is declining and the Hong Kong general public are adopting vaccines since the first quarter of 2021. However, the prolonged outbreak of COVID-19 continues to bring uncertainties to the market and imposed negative impacts to the construction industry, including disruption to the supply chain, workforce shortages as a result of the illness and preventative quarantines, and suspension of construction works as a result of the measures imposed by the Government. The business environment remains difficult and challenging. In response, the management of the Group strengthened its preventive measures against COVID-19 to ensure all staff and workers were well protected against the infection of COVID-19 by providing a safe and healthy working environment. During the period under review, the Group's construction projects were in good progress despite the margins of the projects were severely hit by the outbreak of COVID-19 with intense competition during the period under review.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK\$126.3 million, or 45.1%, from approximately HK\$279.9 million for the six months ended 30 September 2020 to approximately HK\$153.6 million for the six months ended 30 September 2021. Such decrease was primarily due to (i) the decrease in contract works, particularly the decrease in amount of variation orders comparing with the corresponding period of last year; and (ii) an adjustment on one of the contracts which amounted approximately HK\$4.1 million resulting from the related costs rising over management's estimation.

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\$107.7 million, or 41.8%, from approximately HK\$257.6 million for the six months ended 30 September 2020 to approximately HK\$149.9 million for the six months ended 30 September 2021. Such decrease was mainly attributable to the decrease in the materials consumption as a result of the corresponding decrease in revenue.

Gross Profit and Gross Profit Margin

As a result of the decrease in revenue and direct costs as stated above, the Group's gross profit decreased by approximately HK\$18.5 million, or 83.3%, from approximately HK\$22.2 million for the six months ended 30 September 2020 to approximately HK\$3.7 million for the six months ended 30 September 2021. Gross profit margin dropped from 8.0% for the six months ended 30 September 2020 to 2.4% for the six months ended 30 September 2021. Such decrease was mainly due to (i) the adjustment on one of contracts in the revenue as stated above; and (ii) the increase in repair and maintenance costs in motor vehicles, and plant and machinery acquired for our construction projects in previous years.

Other Income

Other income decreased significantly by approximately HK\$13.2 million, or 93.0%, from approximately HK\$14.2 million for the six months ended 30 September 2020 to approximately HK\$1.0 million for the six months ended 30 September 2021. Such decrease was mainly due to a decrease in government subsidies received by the Company of approximately HK\$13.4 million for the six months ended 30 September 2021, as compared with a package of one-off subsidies granted by the Government during the six months ended 30 September 2020.

Other Gains and Losses

Other gains and losses experienced a turnaround from loss to gain, with changes of approximately HK\$0.4 million, or 133.3%, from a loss of approximately HK\$0.3 million for the six months ended 30 September 2020 to a gain of approximately HK\$0.1 million for the six months ended 30 September 2021. Such change was mainly due to the gain on disposal of the non-current assets during the period under review.

Administrative Expenses

Administrative expenses increased by approximately HK\$0.3 million or 4.7%, from approximately HK\$6.4 million for the six months ended 30 September 2020 to approximately HK\$6.7 million for the six months ended 30 September 2021. The increase was mainly due to the increase in employees' salaries and welfare as a result of the establishment of a new tender department in 2021.

Finance Costs

Finance costs decreased by approximately HK\$0.5 million or 20.8%, from approximately HK\$2.4 million for the six months ended 30 September 2020 to approximately HK\$1.9 million for the six months ended 30 September 2021. The decrease was mainly attributed to the general decline of the Hong Kong Interbank Offered Rate (HIBOR) during the period under review compared to that for the corresponding period in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Taxation

Taxation decreased by approximately HK\$3.0 million or 136.4%, from approximately HK\$2.2 million for the six months ended 30 September 2020 to a tax credit of approximately HK\$0.8 million for the six months ended 30 September 2021. Such decrease was attributed to the decrease in taxable income and recognition of credit from deferred tax during the period under review.

As a result of the above, the Group recorded a loss approximately HK\$3.2 million for the six months ended 30 September 2021 (six months ended 30 September 2020: profit of approximately HK\$25.0 million).

PROSPECT

As proposed by the Chief Executive in the 2021 Policy Address, the development of the northern part of Hong Kong into a metropolitan area ideal for people to live, work and travel will be one of the key driving forces to the Hong Kong's construction industry in the coming years. As such, the Directors expect general outlook of the construction industry and the business environment in which the Group operates will remain challenging and competitive. The Group faces intense competition and such competition puts downward pressure on the contract sums of our civil engineering construction services whereas our direct costs, particularly construction materials, maintain a rising track. In light of that, the Group continues to take measures to tighten cost control over various costs, particularly the costs of materials and petrol and the sub-contractor fees, with an aim to attain profitable and positive cash flow operations.

In light of the above, 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 bank borrowings. As at 30 September 2021, the Group had a healthy financial position with net assets amounted to approximately HK\$181.3 million (31 March 2021: approximately HK\$184.5 million). Net current assets stood at approximately HK\$71.5 million (31 March 2021: approximately HK\$68.3 million). As at 30 September 2021, the Shareholders' equity amounted to approximately HK\$181.3 million (31 March 2021: approximately HK\$184.5 million). Current assets amounted to approximately HK\$283.8 million (31 March 2020: approximately HK\$252.3 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 2021: HK\$21.2 million)). Increase in current assets was mainly attributable to the increase in trade and other receivables and contract assets as at 30 September 2021.

Current liabilities amounted to approximately HK\$212.3 million (31 March 2021: approximately HK\$183.9 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 the increase in trade and other payables.

As at 30 September 2021, the Group's bank balances and cash (including pledged bank deposits of approximately HK\$21.2 million) amounted to approximately HK\$33.7 million (31 March 2021: approximately HK\$43.6 million). The decrease in bank balances and cash was due to the repayment of part of the bank borrowings and lease liabilities before the end of the reporting period. Net asset value per Share was HK\$0.45 as at 30 September 2021 (as at 31 March 2021: HK\$0.46).

As at 30 September 2021, the gearing ratio of the Group, which is based on the ratio of interest bearing borrowings and lease liabilities to total equity, was 71.6% (31 March 2021: 65.1%). Such decrease was mainly due to the repayment of part of the bank borrowings and lease liabilities before the end of the reporting period. The unutilised bank facilities was amounted to approximately HK\$13.1 million as at 30 September 2021.

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 borrowings and other fund raised from the capital markets from time to time.

Capital Structure

As at 30 September 2021, 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 deposit and investment property. Details of pledged bank deposit as at 30 September 2021 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 2021, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

Significant Investments Held

As at 30 September 2021, the Group did not have any significant investments held (31 March 2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Charges on the Group's Assets

As at 30 September 2021, the Group's property, plant and equipment and right-of-use assets with an aggregate carrying amount of approximately HK\$58.6 million (31 March 2021: approximately HK\$57.9 million) was pledged to finance equipment purchases, while investment property of approximately HK\$12.4 million (31 March 2021: approximately HK\$12.4 million) and bank deposits of approximately HK\$21.2 million (31 March 2021: 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 2021 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.

Contingent Liabilities

As at 30 September 2021, the Group did not have any material contingent liabilities (31 March 2021: nil).

Capital Commitment

As at 30 September 2021, the Group did not have any significant capital commitment (31 March 2021: 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 2021, the Group had a total staff (including the Directors) of approximately 400 employees (as at 31 March 2021: 450). Total staff cost including Directors' remuneration for the six months ended 30 September 2021 amounted to approximately HK\$76.3 million (for the six months ended 30 September 2020: approximately HK\$82.2 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.

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 2021

The board of directors (the “**Board**”) of the Company hereby presents the unaudited condensed consolidated results of the Group for the six months ended 30 September 2021, together with the comparative figures for the corresponding period in 2020 as follows:

	NOTES	Three months ended 30 September		Six months ended 30 September	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	3	68,385	137,665	153,559	279,868
Direct costs		(69,122)	(127,892)	(149,874)	(257,605)
Gross profit (loss)		(737)	9,773	3,685	22,263
Other income	4	454	10,482	1,007	14,189
Other gains and losses	5	106	–	106	(343)
Impairment loss under expected credit loss model, net of reversal		(178)	(34)	(217)	(107)
Administrative expenses		(2,971)	(3,061)	(6,660)	(6,403)
Finance costs	6	(1,043)	(1,303)	(1,948)	(2,374)
Profit (Loss) before taxation	7	(4,369)	15,857	(4,027)	27,225
Taxation	8	936	(842)	840	(2,191)
Profit (Loss) and total comprehensive income (expense) for the period attributable to owners of the Company		(3,433)	15,015	(3,187)	25,034
Earnings per share – Basic (HK cents)	9	(0.86)	3.75	(0.80)	6.26

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	NOTES	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	67,669	76,152
Right-of-use assets	11	22,200	20,726
Investment property		12,400	12,400
Pledged bank deposit	14	21,214	21,212
		123,483	130,490
Current assets			
Trade and other receivables	12	53,928	51,552
Contract assets	13	215,179	175,171
Amount due from a joint operation		1,964	3,204
Prepaid tax		250	–
Bank balances and cash		12,499	22,339
		283,820	252,266
Current liabilities			
Trade and other payables	15	83,398	63,406
Contract liabilities	13	4,710	4,493
Amount due to a joint operation		137	241
Tax payable		181	1,372
Bank borrowings	16	118,737	108,920
Lease liabilities		5,098	5,514
		212,261	183,946
Net current assets		71,559	68,320
Total assets less current liabilities		195,042	198,810
Non-current liabilities			
Lease liabilities		5,983	5,725
Deferred taxation		7,781	8,620
		13,764	14,345
Net assets		181,278	184,465
Capital and reserves			
Share capital		4,000	4,000
Reserves		177,278	180,465
Total equity		181,278	184,465

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	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 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>
At 1 April 2021 (audited)	4,000	63,701	10,262	2,695	103,807	184,465
Loss and total comprehensive expense for the period (unaudited)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,187)</u>	<u>(3,187)</u>
At 30 September 2021 (unaudited)	<u>4,000</u>	<u>63,701</u>	<u>10,262</u>	<u>2,695</u>	<u>100,620</u>	<u>181,278</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 2021

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash (used in) generated from operating activities	<u>(12,281)</u>	<u>3,945</u>
Net cash used in investing activities	<u>(2,409)</u>	<u>(7,183)</u>
Net cash generated from (used in) financing activities	<u>4,850</u>	<u>(9,254)</u>
Net decrease in cash and cash equivalents	(9,840)	(12,492)
Cash and cash equivalents at the beginning of the period	<u>22,339</u>	<u>27,775</u>
Cash and cash equivalents at the end of the period	<u>12,499</u>	<u>15,283</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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 GEM Listing 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 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the Group's condensed consolidated financial statements:

- Amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – phase 2

The application of amendments to HKFRSs have 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Civil engineering construction contracts recognised over time	<u>68,385</u>	<u>137,665</u>	<u>153,559</u>	<u>279,868</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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 2021

4. OTHER INCOME

	Three months ended 30 September		Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Government subsidies (Note)	–	10,328	–	13,666
Compensation income	–	–	344	219
Bank interest income	2	24	2	24
Project management income	220	20	330	70
Property rental income	98	97	197	194
Others	134	13	134	16
	454	10,482	1,007	14,189

Note: During the interim period in 2020, 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 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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Gain (Loss) on written off of property, plant and equipment	106	–	106	(343)

6. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Interests on:				
Bank borrowings	893	1,056	1,629	1,867
Lease liabilities	150	247	319	507
	1,043	1,303	1,948	2,374

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

7. PROFIT (LOSS) BEFORE TAXATION

	Three months ended 30 September		Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Profit (Loss) before taxation has been arrived at after charging:				
Directors' remuneration	993	993	1,986	1,986
Staff costs (including direct labour cost)	36,409	39,666	72,100	77,484
Retirement benefit scheme contributions (including direct labour cost)	1,200	1,424	2,245	2,730
Total staff cost	<u>38,602</u>	<u>42,083</u>	<u>76,331</u>	<u>82,200</u>
Auditor's remuneration	200	350	400	650
Depreciation on property, plant and equipment	1,651	1,638	3,468	3,301
Depreciation on right-of-use assets	<u>900</u>	<u>1,007</u>	<u>1,648</u>	<u>1,936</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

8. TAXATION

	Three months ended		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Tax charge comprises:				
Hong Kong Profits Tax – current tax	(156)	933	–	2,091
Deferred taxation	(780)	(91)	(840)	100
	<u>(936)</u>	<u>842</u>	<u>(840)</u>	<u>2,191</u>

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 2021

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	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)

Earnings

Profit (Loss) for the period attributable to owners of the Company for the purpose of basic earnings per share

	<u>(3,433)</u>	<u>15,015</u>	<u>(3,187)</u>	<u>25,034</u>
	'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

	<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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

10. DIVIDENDS

No dividend was paid, declared or proposed for the six months ended 30 September 2021 (2020: Nil).

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

During the six months ended 30 September 2021, the Group acquired property, plant and equipment and right-of-use assets of nil and approximately HK\$3,010,000, respectively (six months ended 30 September 2020: approximately HK\$2,586,000 and approximately HK\$1,630,000, respectively). During the six months ended 30 September 2021, the Group's gain on disposal of property, plant and equipment was approximately HK\$106,000 (written off right-of-use assets six months ended 30 September 2020: 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 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
0 – 30 days	30,799	20,880
31 – 60 days	4,050	17,851
61 – 90 days	1,091	–
91 – 180 days	–	6
	<u>35,940</u>	<u>38,737</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

13. CONTRACT ASSETS AND CONTRACT LIABILITIES

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Contract assets		
Unbilled revenue from construction services	190,474	151,800
Retention receivables	24,705	23,371
	215,179	175,171
Contract liabilities		
Advances from customers	4,710	4,493

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\$21,214,000 (31 March 2021: approximately HK\$21,212,000) represents a bank deposit pledged to a bank to secure bank borrowings of the Group amounting to approximately HK\$75,299,000 (31 March 2021: approximately HK\$73,691,000) as at 30 September 2021 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 2021 and 31 March 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
0 – 30 days	16,501	26,820
31 – 60 days	9,296	7,090
61 – 90 days	5,705	3,718
Over 90 days	33,248	7,123
	64,750	44,751

16. BANK BORROWINGS

At 30 September 2021, the Group's outstanding bank borrowings amounting to approximately HK\$118,737,000 (31 March 2021: approximately HK\$108,920,000). The borrowings carry interest at fixed-rate 4.84% or at variable-rate 2.63% to 4.88% (31 March 2021: 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 2021 and 2020.

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 2021

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 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Investment property	12,400	12,400
Property, plant and equipment	36,520	37,503
Right-of-use assets	22,120	20,440
Bank deposits	21,214	21,212
	<u>92,254</u>	<u>91,555</u>

19. CAPITAL COMMITMENT

The Group had no capital commitment as at 30 September 2021 and 31 March 2021.

20. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2021 and 31 March 2021.

21. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements for the three months and six months ended 30 September 2021 were approved and authorised for issue by the Board on 9 November 2021.

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 2021, 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 2021, 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 2021, 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:

- 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.
- 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 2021, 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 2021.

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 2021 to 30 September 2021 and there were no outstanding share options under the Share Option Scheme as at 30 September 2021 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 2021 (for the six months ended 30 September 2020: nil).

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed in this report, at no time during the period from 1 April 2021 to 30 September 2021 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six-month period ended 30 September 2021, 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 2021 to 30 September 2021.

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 2021.

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 2021.

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-month period ended 30 September 2021, 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
Executive Director and Chairman

Hong Kong, 9 November 2021

As at the date of this report, the Board comprises two executive Directors, namely, Mr. Tang Sze Wo and Mr. Lai Yung Sang and three independent non-executive Directors, namely, Dr. Wong Kwok Yiu Chris, Mr. Wong Choi Chak and Mr. Leung Kim Hong.