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## **Sheung Moon Holdings Limited**

**常滿控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8523)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022 AND CONTINUED SUSPENSION OF TRADING**

#### **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 announcement, 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 referred 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 announcement 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 announcement misleading.*

## UNAUDITED INTERIM RESULTS

The board of Directors (the “**Board**”) of the Company hereby announces the unaudited condensed consolidated results of the Group for the three months and six months ended 30 September 2022, together with the comparative figures for the corresponding period in 2021 as follows:

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

*For the three months and six months ended 30 September 2022*

	NOTES	Three months ended 30 September		Six months ended 30 September	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	3	<b>32,808</b>	68,385	<b>59,691</b>	153,559
Direct costs		<b>(27,871)</b>	(69,122)	<b>(60,569)</b>	(149,874)
Gross profit (loss)		<b>4,937</b>	(737)	<b>(878)</b>	3,685
Other income	4	<b>400</b>	454	<b>4,169</b>	1,007
Other gains and losses	5	<b>(1,094)</b>	106	<b>(962)</b>	106
Impairment loss under expected credit loss model, net of reversal		<b>(15,726)</b>	(178)	<b>(26,010)</b>	(217)
Administrative expenses		<b>(7,526)</b>	(2,971)	<b>(10,309)</b>	(6,660)
Finance costs	6	<b>(1,024)</b>	(1,043)	<b>(2,146)</b>	(1,948)
Profit (Loss) before taxation	7	<b>(20,033)</b>	(4,369)	<b>(36,136)</b>	(4,027)
Taxation	8	<b>–</b>	936	<b>–</b>	840
Profit (Loss) and total comprehensive income (expense) for the period attributable to owners of the Company		<b>(20,033)</b>	(3,433)	<b>(36,136)</b>	(3,187)
(Loss)/Earnings per share – Basic (HK cents)	9	<b>(5.01)</b>	(0.86)	<b>(9.03)</b>	(0.80)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION**

*As at 30 September 2022*

	<i>NOTES</i>	<b>As at 30 September 2022 HK\$'000 (unaudited)</b>	<b>As at 31 March 2022 HK\$'000 (audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	<i>11</i>	<b>51,591</b>	55,291
Right-of-use assets	<i>11</i>	<b>11,630</b>	19,282
Investment property		<b>12,100</b>	12,100
Pledged bank deposit	<i>14</i>	<b>10,027</b>	31,220
		<b>85,348</b>	117,893
<b>Current assets</b>			
Trade and other receivables	<i>12</i>	<b>24,305</b>	26,591
Contract assets	<i>13</i>	<b>197,606</b>	243,338
Amount due from a joint operation		<b>–</b>	1,652
Bank balances and cash		<b>4,331</b>	7,004
		<b>226,242</b>	278,585
<b>Current liabilities</b>			
Trade and other payables	<i>15</i>	<b>57,331</b>	70,493
Contract liabilities	<i>13</i>	<b>9,755</b>	6,922
Tax payable		<b>438</b>	688
Bank borrowings	<i>16</i>	<b>90,103</b>	124,690
Lease liabilities		<b>2,694</b>	4,687
		<b>160,321</b>	207,480
Net current assets		<b>65,921</b>	71,105
Total assets less current liabilities		<b>151,269</b>	188,998
<b>Non-current liabilities</b>			
Lease liabilities		<b>3,516</b>	5,110
Deferred taxation		<b>5,945</b>	5,944
		<b>9,461</b>	11,054
Net assets		<b>141,808</b>	177,944
<b>Capital and reserves</b>			
Share capital		<b>4,000</b>	4,000
Reserves		<b>137,808</b>	173,944
Total equity		<b>141,808</b>	177,944

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2022*

## 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 Act, Cap 22 (Act 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 immediate holding company of the Company is Chrysler Investments Limited, which is incorporated in the British Virgin Islands (“**BVI**”) and owned by Mr. Tang Sze Wo. The address of the Company’s registered office is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the address of the Company’s principal place of business is at Office D, 27/F, The Globe, No. 79 Wing Hong Street, Kowloon, Hong Kong.

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 also the functional currency of the Company.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the three months and the six months ended 30 September 2022 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 (“**HKICPA**”) as well as the applicable disclosures requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

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

The adoption of the new and amendments to HKFRSs issued by the HKICPA which are applicable for the Group’s annual period beginning on 1 April 2022 has no material impact on the financial position of the Group as at 1 April 2022 and results of the Group for the six months ended 30 September 2022.

The accounting policies and methods of computation used in the interim financial information for the three months and the six months ended 30 September 2022 are the same as those applied in the preparation of the financial information of the Group for the year ended 31 March 2022 included in the annual report of the Company dated 12 August 2022.

### 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		Six months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Civil engineering construction contracts recognised over time	<u>32,808</u>	<u>68,385</u>	<u>59,691</u>	<u>153,559</u>

#### (ii) Performance obligations for contracts with customers

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

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

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

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

### Segment information

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

#### 4. OTHER INCOME

	Three months ended		Six months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Government subsidies ( <i>Note</i> )	–	–	3,032	–
Compensation income	–	–	220	344
Bank interest income	9	2	9	2
Project management income	–	220	–	330
Property rental income	98	98	197	197
Others	293	134	711	134
	<u>400</u>	<u>454</u>	<u>4,169</u>	<u>1,007</u>

*Note:* During the period under review, the Group received government grants of approximately HK\$3,032,000 under the COVID-19 Employment Support Scheme (“ESS”) provided by the Hong Kong Government.

#### 5. OTHER GAINS AND LOSSES

	Three months ended		Six months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Gain (Loss) on written off of property, plant and equipment	<u>(1,094)</u>	<u>106</u>	<u>(962)</u>	<u>106</u>

## 6. FINANCE COSTS

	Three months ended		Six months ended	
	30 September		30 September	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interests on:				
Bank borrowings	840	893	1,781	1,629
Lease liabilities	184	150	365	319
	<u>1,024</u>	<u>1,043</u>	<u>2,146</u>	<u>1,948</u>

## 7. PROFIT (LOSS) BEFORE TAXATION

	Three months		Six months	
	ended 30 September		ended 30 September	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit (loss) before taxation has been arrived at after charging:				
Directors' remuneration	1,402	993	2,335	1,986
Staff costs (including direct labour cost)	6,138	36,409	21,096	72,100
Retirement benefit scheme contributions (including direct labour cost)	225	1,200	656	2,245
Total staff cost	<u>7,765</u>	<u>38,602</u>	<u>24,087</u>	<u>76,331</u>
Auditor's remuneration	200	200	400	400
Depreciation on property, plant and equipment	855	1,651	1,998	3,468
Depreciation on right-of-use assets	180	900	886	1,648
	<u>8,900</u>	<u>41,353</u>	<u>27,677</u>	<u>83,493</u>

## 8. TAXATION

Three months ended 30 September		Six months ended 30 September	
2022	2021	2022	2021
HK\$'000	HK\$'000	HK\$'000	HK\$'000
(unaudited)	(unaudited)	(unaudited)	(unaudited)

Tax charge comprises:

Hong Kong Profits Tax – current tax	–	(156)	–	–
Deferred taxation	–	(780)	–	(840)
	–	(936)	–	(840)

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%.

## 9. (LOSS)/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	
2022	2021	2022	2021
HK\$'000	HK\$'000	HK\$'000	HK\$'000
(unaudited)	(unaudited)	(unaudited)	(unaudited)

### (Loss)/Earnings

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

	<b>(20,033)</b>	(3,433)	<b>(36,136)</b>	(3,187)
	'000	'000	'000	'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)

### Number of shares

Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share

	<b>400,000</b>	400,000	<b>400,000</b>	400,000
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No diluted (loss)/earnings per share were presented as there were no potential ordinary shares in issue during both periods.

## 10. DIVIDENDS

No dividend was paid, declared or proposed for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

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

During the six months ended 30 September 2022, the Group acquired property, plant and equipment and right-of-use assets of nil and approximately HK\$nil, respectively (six months ended 30 September 2021: nil and approximately HK\$3,010,000, respectively). During the six months ended 30 September 2022, the Group's loss on disposal of property, plant and equipment was approximately HK\$962,000 (gain on disposal of property, plant and equipment during the six months ended 30 September 2021: approximately HK\$106,000).

## 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:

	<b>30 September 2022 HK\$'000 (unaudited)</b>	31 March 2022 HK\$'000 (audited)
0 – 30 days	509	13,017
31 – 60 days	491	2,253
61 – 90 days	4,839	–
91 – 180 days	6,302	458
	<u>12,141</u>	<u>15,728</u>

### 13. CONTRACT ASSETS AND CONTRACT LIABILITIES

	<b>30 September 2022 HK\$'000 (unaudited)</b>	31 March 2022 HK\$'000 (audited)
Contract assets		
Unbilled revenue from construction services	<b>181,177</b>	221,896
Retention receivables	<b>16,429</b>	21,442
	<b><u>197,606</u></b>	<u>243,338</u>
Contract liabilities		
Advances from customers	<b><u>9,755</u></b>	<u>6,922</u>

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\$10,027,000 (31 March 2022: approximately HK\$31,220,000) represents a bank deposit pledged to a bank to secure bank borrowings of the Group amounting to approximately HK\$61,270,000 (31 March 2022: approximately HK\$83,208,000) as at 30 September 2022. The pledged bank deposit carries fixed interest rate ranging from 0.01% to 0.30% per annum as at 30 September 2022 and 31 March 2022.

#### 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:

	<b>30 September 2022 HK\$'000 (unaudited)</b>	31 March 2022 HK\$'000 (audited)
0 – 30 days	<b>6,676</b>	7,133
31 – 60 days	<b>2,529</b>	2,000
61 – 90 days	<b>3,913</b>	4,800
Over 90 days	<b>37,332</b>	42,738
	<b>50,450</b>	56,671

#### 16. BANK BORROWINGS

At 30 September 2022, the Group's outstanding bank borrowings amounting to approximately HK\$90,103,000 (31 March 2022: approximately HK\$124,690,000). The borrowings carry interest at fixed-rate 3.75% to 13.13% or at variable-rate 2.80% to 4.59% (31 March 2022: fixed-rate 4.36% to 5.06% and variable-rate 2.80% to 4.59%) per annum.

## 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:

	<b>Number of Contracts</b>	Aggregate contract sum <sup>(Note)</sup> <i>HK\$’ million</i>
<b>As at 1 April 2022</b>		
Existing contracts	85	1,139.9
<b>During the six months ended 30 September 2022</b>		
Contracts completed	(56)	(397.5)
New contracts awarded	3	53.1
<b>As at 30 September 2022</b>		
	<u>32</u>	<u>795.5</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.

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 merit award for public works (RMAA Works) in the 28th 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; and

- (ii) a gold award in Safety and Environmental Excellence under Innovation Award jointly hosted by the DEVB and the CIC in recognition of the performance of Creativity and Innovativeness of Safety and Environmental Strategies, Measures, Devices and Installations and Improvement to Safety and environmental performance of temporary construction waste sorting facilities at Tseung Kwan O Area 137 and Tuen Mun.

During the period under review, the number of COVID-19 confirmed cases has slightly stabilised in the past month or so, but has remained very volatile. 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\$93.9 million, or 61.1%, from approximately HK\$153.6 million for the six months ended 30 September 2021 to approximately HK\$59.7 million for the six months ended 30 September 2022. Such decrease was primarily due to the completion of three major projects during the period, the revenue in relation to which was already recorded during a previous period, hence it was not reflected 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 costs decreased by approximately HK\$89.3 million, or 59.6%, from approximately HK\$149.9 million for the six months ended 30 September 2021 to approximately HK\$60.6 million for the six months ended 30 September 2022. 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\$4.6 million, or 123.8%, from approximately HK\$3.7 million for the six months ended 30 September 2021 to gross loss of approximately HK\$0.9 million for the six months ended 30 September 2022. Gross profit margin decreased from 2.4% for the six months ended 30 September 2021 to a negative gross profit margin of 1.5% for the six months ended 30 September 2022. Such decrease was mainly due to the increase in repair and maintenance costs in motor vehicles, and plant and machinery. Besides, due to the nature of our construction site, the material inflation of diesel and transportation cost during the period significantly affected the gross profit margin.

### **Other Income**

Other income increased significantly by approximately HK\$3.2 million, or 314%, from approximately HK\$1.0 million for the six months ended 30 September 2021 to approximately HK\$4.2 million for the six months ended 30 September 2022. Such increase was mainly due to the receipt of the subsidies with an amount of approximately HK\$3.0 million from the Government under the Employment Support Scheme.

### **Other Gains and Losses**

Other gains increased by approximately HK\$0.4 million, or 365.1%, from a gain of approximately HK\$0.1 million for the six months ended 30 September 2021 to a gain of approximately HK\$0.5 million for the six months ended 30 September 2022. Such increase was mainly due to one-off gain on written off of property, plant and equipment during the period under review.

### **Administrative Expenses**

Administrative expenses increased by approximately HK\$3.6 million or 54.8%, from approximately HK\$6.7 million for the six months ended 30 September 2021 to approximately HK\$10.3 million for the six months ended 30 September 2022. The increase was mainly due to some motor vehicles and plant and machinery used in particular projects, and the projects are now in finalising stage without further involvement of vehicles and plant and machinery in those projects anymore. Therefore, depreciation costs of those motor vehicles and plant and machinery were included under the administrative expenses instead of direct costs.

### **Finance Costs**

Finance costs increased by approximately HK\$0.2 million or 10.2%, from approximately HK\$1.9 million for the six months ended 30 September 2021 to approximately HK\$2.1 million for the six months ended 30 September 2022. Such increase was mainly attributable to the general increase of the Hong Kong Interbank Offered Rate (HIBOR) during the period under review compared to that for the corresponding period in 2021.

## **Taxation**

Taxation decreased by approximately HK\$0.8 million or 100%, from approximately HK\$0.8 million for the six months ended 30 September 2021 to nil for the six months ended 30 September 2022. Such decrease was attributable to the decrease in tax assessable income.

As a result of the above, the Group recorded a loss approximately HK\$36.1 million for the six months ended 30 September 2022 (six months ended 30 September 2021: loss of approximately HK\$3.2 million).

## **PROSPECT**

In view of the recent gradual easing of COVID-19 restrictions by the Hong Kong Government, which in the Director's view could be a catalyst for an improvement in the overall economic outlook for Hong Kong, the Directors expect that the overall outlook of the construction industry and the business environment in which the Group operates will gradually improve. The management of Group considers the housing and land policies which were mentioned in The Chief Executive's 2022 Policy Address may potentially speed up the supply of land and housing in an all-round way, which will provide opportunities for the Group. On the other hand, the Group's direct costs, especially the costs of construction materials, may potentially rise.

In light of the above, the Directors are optimistic that the Group's construction business will be strong and 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 2022, the Group's financial position with net assets amounted to approximately HK\$141.8 million (as at 31 March 2022: approximately HK\$177.9 million). Net current assets stood at approximately HK\$65.9 million (as at 31 March 2022: approximately HK\$71.1 million). As at 30 September 2022, the Shareholders' equity amounted to approximately HK\$141.8 million (as at 31 March 2022: approximately HK\$177.9 million).

Current assets amounted to approximately HK\$226.2 million (as at 31 March 2022: approximately HK\$278.6 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\$10.0 million which has been classified as non-current asset (as at 31 March 2022: HK\$31.2 million)). Decrease in current assets was mainly attributable to the decrease in contract assets as at 30 September 2022.

Current liabilities amounted to approximately HK\$160.3 million (as at 31 March 2022: approximately HK\$207.5 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 trade and other payables and bank borrowing.

As at 30 September 2022, the Group's bank balances and cash (including pledged bank deposits of approximately HK\$10.0 million) amounted to approximately HK\$14.4 million (as at 31 March 2022: approximately HK\$38.2 million). The decrease in bank balances and cash was due to the partial repayment on bank borrowings and lease liabilities before the end of the reporting period. Net asset value per Share was HK\$0.35 as at 30 September 2022 (as at 31 March 2022: HK\$0.44).

As at 30 September 2022, the gearing ratio of the Group, which is based on the ratio of interest bearing borrowings and lease liabilities to total equity, was 68.0% (as at 31 March 2022: 75.6%). Such decrease was mainly due to the repayment of part of the bank borrowings and lease liabilities before the end of the reporting period.

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 2022, 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.

### **Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies**

During the six months ended 30 September 2022, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

### **Significant Investments Held**

As at 30 September 2022, the Group did not have any significant investments held (as at 31 March 2022: nil).

### **Charges on the Group's Assets**

As at 30 September 2022, the Group's property, plant and equipment and right-of-use assets with an aggregate carrying amount of approximately HK\$11.6 million (as at 31 March 2022: approximately HK\$51.8 million) was pledged to finance equipment purchases, while investment property of approximately HK\$12.1 million (as at 31 March 2022: approximately HK\$12.1 million) and bank deposits of approximately HK\$10.0 million (as at 31 March 2022: approximately HK\$31.2 million) were pledged to secure bank borrowings for financing the Group's operating activities.

### **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 2022, the Group did not have any material contingent liabilities (as at 31 March 2022: nil).

### **Capital Commitment**

As at 30 September 2022, the Group did not have any significant capital commitment (as at 31 March 2022: 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 2022, the Group had a total staff (including the Directors) of approximately 57 employees (as at 31 March 2022: 218). Total staff cost including Directors' remuneration for the six months ended 30 September 2022 amounted to approximately HK\$24.0 million (for the six months ended 30 September 2021: approximately HK\$76.3 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 announcement.

## **OTHER INFORMATION**

### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2022 (for the six months ended 30 September 2021: nil).

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 September 2022, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the shares.

### **SHARE OPTION SCHEME**

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

### **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Code of Conduct**”). Having made specific enquiry of all Directors, all of them confirmed that they had fully complied with the required standard of dealings as set out in the Code of Conduct during the period from 1 April 2022 to 30 September 2022.

### **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 2022.

### **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 2022.

## **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 ended 30 September 2022, the Company had complied with all the applicable code provisions of the CG Code.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This announcement is published on the websites of Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.smcl.com.hk](http://www.smcl.com.hk)). The interim report of the Company for the six months ended 30 September 2022 containing all the information required by the GEM Listing Rules will be dispatched to the Shareholders and posted on the above websites in due course.

## **CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9 a.m. on 15 August 2022 as required under Rule 17.49B of the GEM Listing Rules and will remain suspended until further notice.

By order of the Board  
**Sheung Moon Holdings Limited**  
**Tang Sze Wo**  
*Executive Director and Chairman*

Hong Kong, 19 December 2022

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

*This announcement will remain on the “Latest Listed Company Information” page on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) for at least 7 days from the day of its posting. This announcement will also be published on the Company’s website at [www.smcl.com.hk](http://www.smcl.com.hk).*